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CZECHOSLOVAKIA

Havel Discusses Constitution With Slovaks

AU1904185291 Prague CTK in English 2122 GMT
17 Apr 91

[Text] Prague April 17 (CTK)—Participants in today's meeting between Czechoslovak President Vaclav Havel and leading Slovak politicians said they had scored a certain amount of progress in overcoming the differences in their views on new Czechoslovak, Czech, and Slovak constitutions which will determine the future shape of the Czechoslovak federation.

The constitutions should be adopted by the end of this year.

The most controversial question of today's discussions at Lany, near Prague, was the proposal of a state treaty between the Czech and Slovak Republics which constitute the Czechoslovak Federation. Critics of such a step argue that the signing of such a treaty would be possible only if the existing federation, a subject to international law, were dissolved, and that it would be at variance with the existing federal constitution.

Jan Carnogursky, chairman of the Slovak Christian Democratic Movement (KDH), said after the meeting "we want to follow the constitutional path." He had proposed the idea of a state treaty, which has also received support from other Slovak Government coalition parties.

In his own draft for a federal constitution, Havel proposed last March that the simultaneous approval of the three constitutions be preceded by the adoption of a declaration in which the Czech and Slovak regional parliaments would express the will of the Czechs and Slovaks to live in a common state.

Fedor Gal, chairman of the Slovak Public Against Violence movement (VPN), said that the common will "to find a legal way of expressing people's readiness to live in a federation" displayed at Lany today is a step on the road towards reaching a consensus.

After the meeting the president's spokesman, Michael Zantovsky, said Havel is expected to hold talks on the constitutions with Czech political leaders next week, followed by a meeting with federal officials.

In connection with the current political situation in Slovakia where the split last month in the strongest political movement, the VPN, adversely affects the functioning of the Slovak Government, Carnogursky told CTK Havel "does not want to interfere in the situation. We welcomed this but we recognize his right to be kept informed about it".

Jan Petrik, the KDH central secretary, reacted to today's meeting at Lany between President Havel and Slovak

leading politicians saying that it is important how relations between the Czech and Slovak Republics in a common state are arranged, and not how this arrangement is called.

Speaking to CTK, Petrik said this does not mean that the KDH has retreated from its positions, i.e., it has not abandoned its original proposal of a state treaty between the two republics constituting the Czechoslovak Federation. But whatever its name, "if the legal act embraces all obligations connected with the coexistence of the Czech and Slovak Republics, then it is acceptable. The Slovak Republic will be sovereign but will delegate part of its sovereignty to a super-republican body which can be called federative," Petrik said.

In the KDH's view it would be convenient to have a common head of state, while the Federal Government would be reduced to the premier, one deputy premier in charge of human rights, and ministers for defense, finance and foreign affairs, Petrik said. The present Federal Government has 17 members.

Petrik said it is important that the Slovak Republic will be able to choose its representatives to the Federal Government and that, unlike now, it will assess by itself whether they fulfill their tasks or not. Currently, "Slovak bodies are not convinced that certain Slovak ministers in the Federal Government defend the interests of the Slovak Republic adequately but they have no possibility of recalling them. We do not deny the president his power to appoint government members, but only after agreement with the republics," Petrik said.

Klaus Ready To Campaign in Slovakia

91CH0466A Prague MLADA FRONTA DNES in Czech
21 Mar 91 p 2

[Article by JI: "Klaus's ODS [Civic Democratic Party] Registers; the Right Is Strengthened"]

[Text] During the briefing yesterday, we asked the Chairman of the Civic Democratic Party, Vaclav Klaus: "Recently in an interview with MLADA FRONTA DNES you stated that if certain trends persist you would be willing to travel to every village in Slovakia in order to get support to maintain a joint state. Have you not changed your opinion after visiting Slovakia last week with Vaclav Havel?" "No I have not," answered V. Klaus. "While we were walking through Trencin we were surrounded by people who spontaneously demonstrated their support for us and asked us not to abandon them in this situation. I promised that I would go to Trencin as soon as possible for a public meeting."

Furthermore, in reference to the situation in Slovakia, the chairman of the ODS said that the VPN [Public Against Violence] Council, led by Fedor Gal continues to be the party's partner. "It is not clear whom Vladimir Meciar is representing, and consequently we cannot deal with him as an independent spokesman who is backed by a political mandate," Vaclav Klaus stated.

The Civic Democratic Party registered two days ago and at this time is preparing a founding congress. ODS representatives' clubs are being created in the parliaments, and have been joined by 33 representatives from the CNR [Czech National Council] and 34 representatives from the Federal Assembly. As representative M. Macek said during the briefing, it is not a matter of breaking up the Interparliamentary Club of the Democratic Right but, to the contrary, of strengthening the rightist policies in the parliaments.

In answer to the question whether Vaclav Klaus is saddened by the fact that his close ally in the government, Vladimir Dlouhy, joined the Civic Democratic Alliance and not the ODS, Vaclav Klaus answered curtly: "I am."

Klaus' Party Claims Broad Support

AU2004125891 Prague CESKE A MORAVSKOSLEZSKE ZEMEDEL'SKE NOVINY in Czech 18 Apr 91 p 2

[Unattributed article: "Mrs. Thatcher Probably Will Not Come; Briefing Prior to the Constituent Congress of the Civic Democratic Party"]

[Text] Prague—Over 70 percent of supporters of the former Civic Forum [OF] profess allegiance to the Civic Democratic Party (ODS). Almost 20,000 people have preregistered as ODS members. OF "farewell" district assemblies have been held in all districts.

As for the settlement of property rights with the Civic Movement (OH), in 80 percent of all cases things proceeded smoothly. The constituent ODS congress, which will be held in Olomouc this weekend, will be attended by two delegates each elected in the districts, by one (nonvoting) manager from each district, by ODS deputies and ministers, and guests. Foreign guests will include representatives of the British Conservative Party (who will not, most likely, include Mrs. Thatcher) and the German CDU [Christian Democratic Union]. Czechoslovak guests will include, among others, D. Buresova, P. Pithart, and J. Urban on behalf of the OH and J. Kucerak on behalf of the Public Against Violence movement.

As for other information imparted at yesterday's regular ODS briefing (which was not attended by [Chairman of the ODS Preparatory Committee] V. Klaus, on account of his being preoccupied with other duties in Vienna), we have selected the following: The ODS Preparatory Committee will propose to the congress to retain the name ODS, which has already become common. Those interested in membership in the ODS include former communists, who account for a maximum of 5 percent of preregistered members in individual districts. The party is opposed to cadre screenings of any sort; the admission of former Communist Party of Czechoslovakia members should be decided by local organizations on an individual basis. The ODS wants to be a rightwing party acceptable to all social groups, including farmers. When

asked whether the resignation of Deputy Minister of Finance D. Triska had anything to do with screenings, ODS press spokesman P. Havlik gave an evasive reply. He resigned at his own request and for personal reasons, of which there can be many, Havlik said literally.

Klaus Says Economy Improving; Reform Continues

AU1704125291 Bratislava NARODNA OBRODA in Slovak 13 Apr 91 p 1

[Report by (mik): "Will the USSR Assist Reform?"]

[Text] Trencin—"This is my third visit to the Army's Round House [Okruhovy Dom]; I have never been anywhere so often," admitted Federal Finance Minister Vaclav Klaus at the beginning of his meeting yesterday with the citizens of Trencin. He tried to put the public in a more optimistic mood with his report that the Financial Council has reduced the import surcharge from 20 percent to 18 percent, that in March the CSFR's balance of payments was in the black for the first time, that the pace of price increases is slowing down, and that in March it was only 4.7 percent. Apropos the endeavor to ameliorate economic reform, V. Klaus stated that such an alternative is not being taken into consideration. "The best way of assisting reform for us would be if the economies of the Soviet Union and the other countries who used to be our main trading partners were to consolidate themselves," he said.

Carnogursky on Slovak Constitution Drafts

AU1904092591 Bratislava SMENA in Slovak 17 Apr 91 p 1

[Interview with Ivan Carnogursky, prime minister of the Slovak Republic, by Rudolf Gallo; place and date not given: "There Should Not Be a Constitutional Babylon"—first paragraph is SMENA introduction]

[Text] From discussions in the newspapers and from analyses on what the Slovak Republic Constitution should be like, we have reached the stage where its specific drafts are to be submitted. Yesterday five texts for Slovakia's most supreme constitutional law were lying on the desk of Ivan Carnogursky, [former] first deputy chairman of the Slovak National Council [SNR].

[Gallo] Mr. Deputy Chairman, is this too few or too many...?

[Carnogursky] In the SNR Presidium the day before yesterday someone rather nervously asked whether the work being done by the SNR and Slovak Government commission chaired by Professor Karol Plank is not superfluous since individual parties and movements have submitted their own drafts for the Slovak Republic Constitution. I think everyone has the right to submit his own draft; however, common points should then be sought in them.

[Gallo] Could you briefly outline the constitutional drafts submitted by the parties and movements?

[Carnogursky] First of all, there is "Plank's" draft constitution. This was drafted by a group of 15 experts and lawyers supplemented by representatives of the parties and movements represented in the SNR. The group respected the principle laid down by the SNR Presidium and coalition parties that the federation should be constructed from below. That is, it is a sovereign state. The Slovak Republic's jurisdictions are completely on the Slovak Republic level, but the draft contains stipulations about which jurisdictions will be handed over to the federation. There is also a constitutional draft submitted by a group of Public Against Violence [VPN] movement deputies. This again proceeds from the premise that the federation—or rather, the federal constitution—will determine which jurisdictions it will retain for itself and which ones it will delegate to Slovakia. Both, then, contain a federal aspect. As far as work is concerned, we have termed them mixed draft Slovak Republic Constitutions.

[Gallo] Obviously, the three "purely" national ones follow....

[Carnogursky] Another three drafts—submitted by the Christian Democratic Movement [KDH], the Slovak National Party [SNS], and the VPN-For a Democratic Slovakia [ZDS] platform—proceed from the "Plank" version of the Slovak Republic Constitution. They are identical in some things and different in others. In essence, they all evolve from Slovakia's fundamental jurisdictions. The first draft Slovak Republic Constitution, put together by the KDH, in fact "cut out" those paragraphs that concern Slovakia. It produced a separate draft Slovak Republic Constitution that contains absolutely no mention of the federation. In only one article it says that the Slovak Republic can unite with other sovereign states to form a higher whole state. That is, it does not directly mention linking the two republics—the Slovak Republic and the Czech Republic. However, a draft state treaty is also an element of this draft. The second draft was submitted by the SNS. In principle, it also deals with the Slovak Republic's sovereignty and its jurisdictions. This draft is acceptable if something is "left out" or supplemented. Finally, we received a third draft submitted by VPN-ZDS deputies. It is quite similar to the KDH draft. Throughout the text it does not mention the Czechoslovak Federation until the end, where it mentions the Slovak Republic's union with the Czech Republic in a federation.

[Gallo] Will the parties and movements not create a fuss to ensure that their version wins society's favor?

[Carnogursky] All the political groupings represented in the SNR have agreed not to officially publish their drafts and not to appeal to the people to support this or that version. They have agreed that the political representatives will hold meetings, will hold joint negotiations, and will seek the optimum solution. After all, at least 91

deputies in the SNR have to vote to adopt the Slovak Republic Constitution. We have to find out what unites the individual drafts and we have to find optimum starting points from what divides them.

[Gallo] Let me just state the following in conclusion: Today in the SNR the first meeting will take place between those who drafted the five versions of the Slovak Republic Constitution and the other political parties. Let us hope the meeting will be constructive.

Carnogursky on Moravian Demands, VPN Split

*AU1104173891 Prague MLADA FRONTA DNES
in Czech 8 Apr 91 pp 1, 3*

[Interview with Jan Carnogursky, prime minister of the Slovak Republic and chairman of the Christian Democratic Movement, by Ivo Slavik; place and date not given: "We Support Stability"]

[Excerpts] [passage omitted] [Slavik] Would you object to a tripartite federation, including Moravia, or some other form of a tripartite state?

[Carnogursky] No. We regard the discussion of the status of Moravia as an internal Czech affair, in which we do not want to overly interfere lest the impression arise on the Czech side that we interfere in the internal affairs of the Czech Republic. I would like to say that we are well disposed toward the Moravian efforts at gaining autonomy within the framework of the Republic. One of the reasons is that, should Moravia actually gain an autonomous status, it is to be expected that, even though they may not win, Christian-motivated parties would surely gain a strong position there. Slovakia and Moravia would then be rather close to one another politically and ideologically and Bohemia would have to adapt to the situation.

[Slavik] What is your view of the building of states on the basis of the national principle? Some people say that this is a relic of the 18th century.

[Carnogursky] It is no relic. The West and the Czech press keep reminding us that we need Western technology and a stable internal political situation based on the preservation of the status quo. That is true. But it is equally true that what we need even more than Western technology and Western or other theoretically contrived management methods is a feeling of mutual solidarity. And in Central Europe this feeling is centered around the nation. The principle of the national state therefore has its justification. [passage omitted]

[Slavik] One problem connected with the constitutional arrangement of the state is the absence of federal political parties. If the elections are won by parties that are associated with individual regions and marked by a strong national orientation, the chance of arriving at mutual agreement will be impaired.

[Carnogursky] Yes, but this is a fact that we must acknowledge. A politically defined feeling of mutual solidarity is still centered around the term, nation. Any federal political party would be a mere fiction and would not have any real internal cohesion.

[Slavik] What is your view of the conflict between the two wings in the Public Against Violence [VPN] movement, particularly from the viewpoint of its potentially unpropitious effect on the [Slovak] Government's functioning? Another problem is some of the statements made by Prime Minister Meciar. I am thinking, above all, of his contemplation of changes in the Presidium of the Slovak National Council.

[Carnogursky] Neither Meciar's nor Gal's platform in the VPN serve the interests of Slovakia and, consequently, the interests of the Republic. Therefore, we will not lean toward either one of them, so as not to support the other. Quite the contrary. We will try to remain strictly between the two platforms. We will do so, apart from other reasons, because this is a problem of the contemporary Slovak political scene and because if either platform left [the government coalition], the Slovak Government would no longer have sufficient support in the Slovak National Council. And as we do not want early parliamentary elections in Slovakia, we must try to maintain the government's ability to function. We can achieve this only by maintaining distance from both [VPN] streams.

The Christian Democratic Movement [KDH] is opposed to changes in the Slovak National Council Presidium. Its composition is a matter for parliament or, respectively, for political parties, but it is not a matter for the government. Any changes in the Slovak National Council Presidium are conceivable only as part of a possible reconstruction of the government. If a change in the composition of the Slovak National Council Presidium were a prerequisite for maintaining the government's ability to function, it might be worthy of consideration. However, there would have to be an equation with the government on one side and the Slovak National Council Presidium on the other.

[Slavik] Would you please comment on the three scenarios of the KDH's possible conduct as outlined by LIDOVE NOVINY on Monday a week ago [25 March]?

[Carnogursky] All the three scenarios mentioned in the text of Mr. Hoffman are flawed in that they model the KDH's attitude from the position of the KDH's political egotism and cynicism. This is not, however, what determines our attitude. Had it been the case, we could have gained from the crisis the position of prime minister. Our position is determined by the interests of Slovakia, which needs a functioning government able to rely on the support of the majority in parliament. Such a government is possible only if the present constituent parts of the coalition stay together.

Uhl on StB Collaborators, Klaus, Left

AU1904204791

[Editorial Report] Prague MLADA FRONTA DNES in Czech on 15 April on pages 1 and 3, under the headline "I Do Not Intend To Resign!", carries a 2,000-word interview with Petr Uhl, CTK [Czech Press Agency] central director, by Jiri Leschtina. The place and date of the interview are not given.

In the introduction to the interview, the MLADA FRONTA DNES correspondent mentions the embarrassment surrounding President Havel's visit to Israel last year, when it was discovered that a CTK reporter accompanying the president was a former State Security [StB] official. When asked for his opinion about this affair, Petr Uhl says that "unfortunately, President Havel was also accompanied by other StB collaborators on his trips. Yet, as soon as it was discovered that they really were former StB collaborators, they ceased to accompany him." Petr Uhl further explains that the CTK reporter, who accompanied Havel in Israel, "had been working for CTK for many years, he was expelled from the party in 1970, and was partly discriminated against later on when he was only allowed to work in a CTK translating department." Uhl also says that "material proving his cooperation with the StB was discovered, by mere chance, only after the trip."

When told that the screening process uncovered more than 50 StB collaborators in the CTK news agency and when asked whether former StB collaborators still work in CTK, Petr Uhl says "there were exactly 52 people on the list and my name was among them." Petr Uhl further explains the StB record keeping system and describes the different approaches toward individual categories of collaborators. He says that "we had to say goodbye" to the collaborators ranged in the category "Struggle against the internal enemy."

He further explains that he used a different approach to ward other categories of former StB collaborators depending on the importance of their position in CTK, that is, whether they "have a direct influence on what CTK publishes." When asked about his opinion on military intelligence, Uhl says that "being a member of military intelligence is no moral flaw."

When asked whether fanatical communists—as alleged by a CTK employee—remain in their posts, Petr Uhl replies that he is not aware of any fanaticism and that he "refuses to carry out political purges in CTK," adding that he has his "reasons for it" and he is "not even obliged to explain them to the public." Uhl is "prepared to bear full responsibility for this."

When confronted by the reporter about the unobjective report on a Civic Forum meeting in January entitled "Did V. Klaus Want To Replace Eight Ministers Sympathizing With the Liberal Club?"—implying that Uhl was trying to "settle accounts" with his "political opponent Vaclav Klaus"—Uhl replies first that "any serious

news agency in the world brings information about rumors that stir the town," and that Vaclav Klaus is not his "political opponent."

When asked about his role in the Left Alternative, Petr Uhl says: "I do not live the political life of the Left Alternative. I am its founding member, yet I do not participate in its work," and he further explains that he is inclined—to the "displeasure" of his "leftist friends"—to "sympathize with the transformation of state property." However, Petr Uhl does not agree with Klaus' efforts to "transform the Civic Forum into a rightist party," which is the main reason why Uhl has been at variance with Klaus "from the very beginning."

In conclusion, Petr Uhl is asked whether he is going to resign, to which he replies that "no one has demanded at the recent Civic Forum Assembly that, particularly, Peter Uhl should resign from his post of director," and he adds "it is true, however, that Minister Klaus demanded my resignation. However, I am not responsible to Minister Klaus, but to the Federal Government."

Association Polls Public on Parties, Economy

LD2004024691 Prague CTK in English 1834 GMT
19 Apr 91

[Text] Prague April 19 (CTK)—Since the division of the Civic Forum [OF] into two factions on February 23, the one called the Civic Democratic Party [ODS] is the most popular party in the Czech Republic, favoured by 19 percent of the population, Marek Boguszak of the Association for Independent Social Analysis [AISA] reported today. Following the ODS are the Movement for Self-Governing Democracy-Society for Moravia and Silesia [HSD-SMS] with 9 percent, the other OF faction, the Civic Movement with 8 percent and in fourth place, the Communist Party of Bohemia and Moravia [KSCM]. Among the 1,990 people surveyed by the AISA in the Czech Republic between March 18 and April 2, the Social Democrats [CSSD] increased their popularity since the last public opinion poll to 5 percent, as did the Republican Party [SPR-RSC] of Miroslav Sladek, which was supported by 3 percent of the respondents. Forty-two percent of the 712 people surveyed in Slovakia support Slovak Premier Vladimir Meciar's breakaway faction of the Public Against Violence [VPN] Movement, VPN-For Democratic Slovakia [VPN-ZDS]. In second place is the Party of the Democratic Left [SDL], formerly the Slovak Communist Party, with 9 percent and ranked third is the Slovak National Party [SNS] with 8 percent. Other data gathered by the AISA indicate that disgruntlement with politics is increasing, as 21 percent of those surveyed in the Czech Republic and 40 percent of Slovak respondents said they were very dissatisfied with current political developments. Only 9 percent of Slovaks and 26 percent of Czechs said they were satisfied. Answering questions about their opinions on the economic reform, 65 cent of the respondents in Slovakia opposed a drop in their standard of living and only 2 percent openly supported the reform. In the Czech

Republic, 45 percent of those polled opposed a decline in living standards and 13 percent declared their support for economic reform. Over one half of the respondents in Slovakia (54 percent) said the state was responsible for the well-being of the population, compared with 30 percent of the Czech respondents. An equal proportion of Czechs said individuals were responsible for themselves, but only 13 percent of Slovaks agreed with this statement.

The AISA opinion poll also shows that only 4 percent of Czechs and 8 percent of Slovaks support unambiguously the division of the current Czechoslovak state into two independent states, Czech and Slovak. Ninety-one percent of respondents in the Czech Republic and 78 percent in the Slovak Republic are definitely against such a division. Asked whether a treaty between the Czech and Slovak Republics—first proposed by Slovak Christian Democratic Movement [KDH] leader Jan Carnogursky—would be an acceptable basis for a common Czechoslovak state, 77 percent of the Czech respondents either firmly or rather disagreed and 7 percent decidedly agreed. In Slovakia 84 percent were either decidedly or rather in favour of a treaty and 8 percent firmly rejected the idea. Eighty-six percent of Slovak respondents said the Czechoslovak Federation as it exists currently suppresses the interests of Slovakia, while 92 percent of people surveyed in the Czech Republic said it did not. Opinions on Slovak Premier Vladimir Meciar also differed widely between the Czechs and the Slovaks, as 91 percent of the people polled in Slovakia agreed that Meciar was the guarantor of free, democratic development in Slovakia, whereas only 25 percent of the respondents in the Czech Republic agreed with this statement.

Congress of Right-Wing Civic Democratic Party

AU2304153891 Prague CTK in English 1401 GMT
20 Apr 91

[Text] Olomouc, north Moravia, April 20 (CTK)—A two-day constituent congress of the Civic Democratic Party (ODS) opened here today, with 247 delegates from Bohemia and Moravia attending.

Chairman of the party's preparatory committee, Vaclav Klaus, the Czechoslovak finance minister, described the congress as a historical milestone in Czechoslovakia's development as after many decades a clearly conceived, strong rightist party, built on democratic principles, is being born.

Klaus said in his opening address that ODS is the strongest political party in the Czech Republic, according to the results of latest opinion polls.

Referring to yesterday's statement by Federal Deputy Premier Pavel Rychetsky about differences between Deputy Premier Vaclav Vales, Economics Minister Vladimir Dlouhy, and Klaus as regards economic reform, Klaus said this was disinformation. He said Dlouhy had rejected Rychetsky's statement and asked

that Rychetsky consider his further activities in the Federal Government if he intends to sabotage economic reform.

Klaus said the ODS wants to cooperate as much as possible with its coalition partner from the former Civic Forum (OF), the Civic Movement (OH). The OF split into the ODS, represented by Klaus, and the OH, represented by Pavel Rychetsky and Foreign Minister Jiri Dienstbier, on February 23. Minister Dlouhy represents the Civic Democratic Alliance (ODA) which also separated from OF activities.

In a message of greetings to the congress, President Vaclav Havel said he hoped ODS would cooperate with the Civic Movement and other coalition partners in the spirit of tolerance and mutual understanding.

Former British Prime Minister and Conservative Party Leader Margaret Thatcher welcomed in her message to the congress the party's joining the democratic conservative forces in Europe, hoping the two parties would remain in close contact.

The congress is expected to adopt a program, elect the party leadership and decide its name.

POLAND

U.S.-Polish Trade Treaty Critiqued

91EP0428A Warsaw *POLITYKA* in Polish No 16,
20 Apr 91 p 7

[Article by Marek Henzler: "From the Russian Bear to Uncle Sam: What Matters Is Not the Signatures Under a Treaty but What Is Inside"]

[Text] "The text of the treaty which was approved by the Polish negotiators appears to warrant the depressing assumption that they had not realized all the negative legal and economic implications of that treaty to Poland." This is how the lawyers from the Taskforce on International Law under the Legislative Council view the treaty on trade and economic relations between Poland and the United States. They believe that our potential advantages from the treaty's provision stand in a ratio of 1:100 or even 1:200 to the disadvantages. Even so, the government has asked the Sejm to consent to the treaty's ratification by President L. Walesa.

It all had begun, so to speak, innocuously and in accordance with the practice of international relations.

It was September 1989, the honeymoon of the Mazowiecki government. Secretary of Commerce Robert A. Mosbacher was visiting Poland, and during the talks he proposed, among other thing, drafting a new trade treaty between Poland and the United States.

"Initially I voiced interest in such a suggestion," Marcin Swiecicki, the then minister of foreign economic cooperation, admitted in the Sejm during a recent debate on

ratifying the treaty. R.A. Mosbacher extended his stay in Poland by one day—and both gentlemen prepared and signed a letter of intent.

In February 1990, following negotiations in Warsaw and Washington, the draft treaty was ready. According to the former minister, all the concerned ministries commented on it in positive terms. The government even wanted by then to present the draft to the Sejm, because the provisions it contained required substantial and urgent revisions of Polish legislation. But that did not happen owing to certain circumstances which, had not it been for their consequences, would have seemed merely funny today.

The Springtime Gift

In March 1990 Prime Minister T. Mazowiecki took a transoceanic trip. "That was out of the ordinary, because President Bush, the President of the United States, does not normally sign treaties of this kind. But that afforded an occasion for him to sign," Marcin Swiecicki declared in the Sejm. It was decided to sign the treaty during that visit. "What is more, the treaty was signed on 31 March, that is exactly on the first day of spring," the former minister of state explained to the deputies the additional motive which, in his opinion, could be utilized for various promotional purposes.

Instead of a noisy promotional drive, the government drew a curtain of silence over the treaty, a curtain which certain nongovernmental lawyers, who were disturbed by the text of that treaty, tried to pierce for nearly a year. Disclosure of that text was also demanded by the deputies, when in December, 1990, the news reached them that the Senate of the United States had ratified some treaty with Poland that was in general unknown to the Polish parliament.

"Secrecy, a certain confidentiality, is customary in negotiations. Otherwise there would be no negotiations, because our partner does not want, and we ourselves do not always want, to discuss things publicly," the deputies were told last 5 April by Minister of Foreign Affairs Krzysztof Skubiszewski, [who was] designated by the prime minister to represent the government during the ratification debate. In the minister's opinion, however, no one kept secret or impeded further work on the already signed treaty. Still, on looking at the calendar, one could conclude that our previous administration has been unusually tardy in that respect.

The treaty signed in Washington had been pigeonholed for two months by Minister Swiecicki, as it was only on 18 May 1990 that he asked the Ministry of Foreign Affairs to recommend a session of the government to ratify it. Subsequently, the treaty continued to gather dust in the files of the Ministry of Foreign Affairs. In the meantime the American government sent a note on 13 July requesting the correction of an error in one of the treaty's articles. A reply was dispatched to the Americans.

The matter was reconsidered after the vacation break. The treaty has been studied for several weeks but, as Minister Skubiszewski admitted, "Not only a legal...but also an economic rationale was needed.... We presented the recommendation to the government on 22 October 1990, and thereupon various ministries began to send in critical comments on the treaty." But previously the comments had supposedly been positive.

In late November the Mazowiecki administration had collapsed, which halted further work on the treaty. In December the Americans were the first to ratify the treaty. The government of Prime Minister Jan K. Bielecki began to consider the matter as early as 16 January, and in February it held a conference at which various ministries withdrew their reservations. On 6 March "the government finalized its position and thereupon presented the matter to the Sejm."

It was high time, because this time President Lech Walesa was getting ready for a trip to the United States. And, as Minister Skubiszewski admitted, during that visit, "Both President of the United States George Bush and Secretary of State James Baker, as representatives of the business and industry circles, drew attention to the delay in Poland's ratification."

What is the meaning of that treaty, which today stirs so many emotions in a Poland which is exploring new political and economic solutions and looking for new allies?

The Necessity of Friendship

This is a voluminous document consisting of the text of the treaty itself, signed by T. Mazowiecki and G. Bush, four appendices, a protocol, and three letters from Minister Dariusz Ledworowski to the American negotiators R. Mosbacher and Carla Hills which chiefly enumerate Polish obligations, defining some more precisely, and exceeding with respect to others the provisions of the treaty's text.

According to the preamble, the treaty was signed "With the object of promoting the friendship between the American and Polish nations." In principle, this is the sole sentence resembling the rhetoric of the former treaties of friendship and cooperation between Poland and her traditional CEMA and Warsaw Pact allies. The remaining text is an objective and detailed notation of reciprocal economic rights and obligations which, according to the treaty's critics, are propelling us away from the embraces of the Russian bear and into the much more smothering grip of Uncle Sam.

Both countries pledged themselves not to discriminate against each other's investments and commercial activities (apart from a few exceptions specified in an appendix). The treaty allows free employment of experts and technical and managerial personnel regardless of their citizenship. Neither party may impose on the other the obligation of exporting manufactured goods or service or require their purchase on the domestic market. As

regards the acquisition of shares in any privatized Polish enterprise, Poland will extend to American citizens and companies most favored treatment. The treaty permits free and immediate repatriation of incomes and compensations in convertible currencies (should there occur, e.g., expropriation or nationalization). It also resolves the issues of eventual disputes, information exchange, etc.

These provisions no longer stir the kind of emotions they did a year ago when most of them were also incorporated in the new law governing the operations of foreign companies. But the bone of contention remains Article IV of the treaty, concerning the protection of intellectual property, which provides that both parties (that is, in this case, Poland, because in the United States this matter has already been regulated) shall: extend copyright protection to computer software (in the same way as copyright protection for literature works, that is, for 50 years); assure the patent protection of products and manufacturing processes with respect to drugs, foods, and chemicals for a period at least equal in duration to that applying to other approaches subject to patent protection (we even pledged ourselves to introduce a 20-year period of patent protection instead of merely 15 years up to now); and assure the protection of the topology of computer chips and an effective protection against dishonest competition. All this is to take effect by 31 December 1992.

What advantages does the government anticipate following the acceptance of the treaty? It will make possible for Poland a new stage of cooperation in accordance with the "Manufacturing and technological standards...adopted in the highly developed countries." Poland will "open itself to foreign, especially American, investors. The influx of modern technologies will increase...and the development of indigenous research and application projects will be accelerated." The ratification of the treaty will enable us to retain the customs preferences granted us in 1990 as regard access to the American market, whose scope is contingent "on the level of the protection of intellectual property by the beneficiary's country and may be curtailed at any moment."

In its arguments in favor of ratifying the treaty the government admits that the advantages will be accompanied by disadvantages. "These will consist of higher fees for technology imports, for utilization of patents and licenses, and for utilization of works under copyright protection. As a consequence, the prices of products manufactured in this country on the basis of foreign technologies—and in particular of chemicals, pharmaceuticals, and electronic products—as well as of computer software and even of books by foreign authors, will increase." Nevertheless, if we desire to adapt our economy to international standards, meeting the treaty's obligations is "an objective necessity."

What Does the Office of State Protection Know?

A different opinion is held by members of the Legislative Council. "A thorough analysis of the treaty and the

appended correspondence warrants the unequivocal conclusion that we are dealing with an agreement that is more disadvantageous to Poland than any other international agreement for the promotion and protection of investments that we had concluded in the past," [noted] an assessment study presented last November. In the council's view, the treaty will make our economy dependent on foreign capital. "The balance sheet of advantages and liabilities will be definitely adverse to us for many years."

The sharpest critic of the treaty is Professor Stanislaw Soltysinski of the University of Poznan, a longtime lecturer on international economic law and the law on intellectual property, who also taught at American universities. In his opinion, and especially in an interview granted to TYGODNIK GDANSKI on 17 March 1991, under the heading "Genuflecting to the White House," the professor unambiguously states, "We are pledging ourselves to protect chiefly American copyrights.... The Americans dictated to us a stronger copyright protection formula than their own at home.... If we are to avail ourselves of certain standards of economic life, then, in the event of a conflict, they should resemble European rather than American solutions. After all, our aim is to join the EEC.... The previous administration attempted to bypass the constitution.... In as many as six fields the letters dictated by Ms. Carla Hills (the trade representative of the United States government) to Mr. Minister (then Deputy Minister) Ledworowski impose substantive obligations on the Polish partner, obligations not mentioned in the text of the treaty itself," etc.

The editors of TYGODNIK GDANSKI quoted in that interview a passage from the comments made by Prof. Fletcher Baldwin to THE GAINESVILLE SUN last December: "The trade agreement between the United States and Poland reveals how greatly Poles desire to be under the protective wing of America." That weekly also published a separate commentary by the interviewer, Piotr Dominiak, which declares, "After years of being dictated to by Moscow we are willingly rushing into the embraces of Uncle Sam in the belief that, although he sometimes smothers others in his embraces, he will hug us warmly, out of his sheer liking for us.... For it is difficult to give credence to the rumors persistently circulating on the other side of the ocean that our officials can always be bought, and for small change at that. It probably is merely accidental that some of the Polish participants in the talks became not long afterward representatives of American companies."

One can hardly suggest more explicitly that that treaty was concluded to the detriment of Polish national interests. I asked the Office of State Protection what did it know about this matter. Its "negotiated" and official response was, "The Office of State Protection is familiar with the articles published in TYGODNIK GDANSKI."

The Price of Democracy

The field in which we would be bound the soonest to be affected by the consequences of the treaty is the pharmaceutical industry. So far our law on inventions has not permitted granting patents for chemicals, drugs, or curative techniques. It permits patenting only the techniques for manufacturing chemicals or drugs, and, according to Docent Dr. Romana Jaworska, this is intended "to protect indigenous enterprises against economic domination by other countries and industrial monopolies." Being aware of the existence of foreign drugs and familiar with their chemical formulas as published in professional literature, our plants usually explore ways of arriving at those formulas other than those protected by patents. This has served to avoid huge licensing fees, and sometimes it even made possible the manufacture and profitable exports of Polish counterparts of foreign drugs to third-party countries (which in the case of patented drugs, would hinge on the willingness of the owner of the patent).

Calculations show that even now the basic research involved in the discovery of an active substance that could be a component of a new drug costs about \$350 million. Such costly and moreover time-consuming research, which also entails pharmacological and clinical tests, can be afforded only by the richest pharmaceutical companies (for years now only by American, Japanese, and West European ones).

According to figures provided by the Scientific, Technical, and Economic Information Center of the Pharmaceutical Institute, the absence up to now of patent protection for chemicals in Poland has made it possible in the last 10 years to undertake the production of a dozen or so modern drugs with an aggregate value of about 600 billion zlotys which otherwise would have to be imported at the cost of about 6 trillion zlotys annually. Thanks to the patent piracy tolerated in this country, the prices of Polish drugs average about 30 percent of world prices.

Our pharmaceutical industry fears that, although the treaty's obligations are not retroactive, we shall, given the huge advances of medicine, very soon be condemned to importing modern drugs whose cost will overwhelm both the budget of the Ministry of Health and the wallets of patients (their prices may rise as much as tenfold). Moreover, then the indigenous pharmaceutical industry, which even now is affected by the recession, will collapse. Until recently it used to be a flourishing branch of the Polish chemical industry whose revenues from exports of drugs equaled the outlays on the imports of crude petroleum.

Lawyers and pharmaceutical industry representatives both claim that the adoption of the high international standards for the protection of intellectual property is inevitable. The discussion concerns only the question of whether we should accept these standards now, especially considering that so far no one has presented an

objective assessment of the anticipated advantages and disadvantages to the Sejm or anywhere else. Instead, Ministers K. Skubiszewski and D. Ledworowski have been expatiating on the contributions of the United States to the cause of strengthening democracy in Poland, its contributions to the zloty stabilization fund, and the influence of that country on the decisions to reduce our foreign debt.

The members of the Legislative Council suggest that the Sejm does not accept such a short transition period for adapting our legislation to the requirements of the treaty. The treaty should be renegotiated so as to make the transition period at least five to seven years long, as has been the practice with regard to other countries. It is even being suggested that the ratification should be postponed, because it may be that the EEC will, in its treaty on Poland's association with it, propose more favorable terms to us.

The fate of the Washington treaty is now in the hands of the deputies. They will decide whether Poland is to dive into the deep (Atlantic) waters without fully reconnoitering whether it will float to the surface.

Press Role in Publishing State Secrets Refuted

91EP0428B Warsaw POLITYKA in Polish No 16,
20 Apr 91 p 5

[Editorial by Jan Bijak: "The Naughty Press"]

[Text] Jan Konieczny, deputy chief of the office of state protection, declared at a press conference, "Poland is being actively infiltrated by foreign special services, owing to the special location of our country." It turns out that persons participating in economic negotiations with foreign partners have noticed that these [foreign partners] were often better informed about certain aspects of our political and economic life than our own negotiators. The Office of State Protection also noted that classified economic information about Poland has appeared on the Western market. The attendant losses of our Treasury are said to reach \$5-7 million.

And thereupon the representative of the Office of State Protection voiced the opinion that one reason for this situation is the disregard by the Polish press of the regulations governing state secrets.

I am not sensitized to opinions about the Polish press and I do not react allergically to criticisms of reporters, especially considering that lately we have been all too often encountering instances of lack of professional integrity along with ordinary slovenliness. It seems to me, however, that in the case discussed above the subject of the accusations was chosen impulsively. It is as if the press, the reporters, were to be blamed every time there is a leak, every time a state secret is divulged. Yet it is precisely in this respect that the press is the least at fault.

I suspect that, first, our negotiators, feeling so shocked because their foreign partners turned out to be so well-informed about the Polish economy, had not on their own tried hard enough to be as well-informed. It is simply that the other side is usually more thoroughly prepared and does more extensive research in advance of the talks, whereas we disdain specifics. Secondly, given the current advances in international, banking, credit, and exchange relations, a great deal of information simply cannot be concealed, and a spy satellite often provides a better idea of the competitor's grain harvest than the information provided to him by the abacuses of his own statisticians. Third, Poland provides its customers among international organizations, the World Bank, etc., with a great deal of information which abroad becomes public knowledge so that sometimes a FINANCIAL TIMES reporter finds it easier to obtain information on the Polish economy than does a ZYCIE GOSPODARCZE reporter. Fourth and last, the privatization drive in Poland as well as the training of Polish managers and economic administrators involve so many foreign consulting firms, so many advisory teams, so many high-grade experts, that it would be self-deceiving to believe that, immediately after they leave Poland, they forget everything they had seen here and that an article in the Polish press is needed to remind them of what they had forgotten.

It is only after the above enumeration that it is time for conclusions. First, economic secrets should be principally guarded by the concerned enterprises, ministries, and organizations—by their heads, trade unionists, and local government aldermen, who, after all, are known for their loquacity. The second conclusion is that it is the first and paramount duty of the reporter to keep the reader informed, to gather and transmit information. And that anybody who wants to isolate a reporter from information, by the same token, wants to deprive him of it and is his enemy. As for the term "state secret," it is a most handy formula for getting rid of a reporter by feeding him facile generalizations. But what about a rule that is followed worldwide and respected by professionals, namely, the reporter is told that a given item of information is off the record for such and such reasons, or that it can be published at a certain date? The reporter who breaks that rule is aware that he will be made to pay and that the second time around no reliable source will want to tell him anything.

Political Quarterly Emerges From Underground

91EP0395A Warsaw RZECZPOSPOLITA in Polish
23-24 Mar 91 p 4

[Interview with Jan Kofman, editor in chief of KRYTYKA, by Krzysztof Maslon; place and date not given: "Politics Taking a Longer Breath: KRYTYKA, the Warsaw Political Quarterly"]

[Text] [Maslon] I have here the first officially published issue of KRYTYKA. I see on the cover the familiar

checkerboard pattern, but the numbering too, 34-35, shows that it is maintaining its continuity.

[Kofman] There is no reason for it to be otherwise. In spite of the difficulties, KRYTYKA came out rather regularly. In my estimation, it maintained a certain level. The makeup of the editorial staff has not even changed very much. After all, at the same time there have been so many other valuable, interesting publications that have gone under, including the best ones.

[Maslon] As I recall, the first issue of KRYTYKA met with incredulity. Underground publications were still in diapers, and here suddenly appears this "fat, juicy magazine," with serious, profound texts in it, political, but on the fringes of philosophy and sociology. And the names.... Do you recall the first editorial staff?

[Kofman] KRYTYKA's first nine issues, from September 1978 to the end of 1981, were signed by Stanislaw Baranczak, Konrad Bielinski, the Hungarian Miklos Haraszti, Vaclav Havel of Czechoslovakia, Jacek Kuron, Jan Litynski, Adam Michnik, Editor in Chief Stefan Starczewski, Jan Walc, and Roman Wojciechowski, among others. They were soon joined by Marek Beylin, Piotr Lukasiewicz....

[Maslon] And under the pseudonym Wlodzimierz Mart, you actually took over editorial leadership back during the underground period, after 13 December 1981. I think that our readers might be particularly interested in Vaclav Havel's ties to KRYTYKA during the first period of "storm and resistance."

[Kofman] His name did not appear among the editorial staff merely as an honorary member. We published his writings rather often. I recall the famous "Strength of the Powerless" article. The second issue of KRYTYKA was nearly entirely devoted to Czechoslovakia. It contained documents from Charter 77, and, alongside Havel, texts by Patocka and Kohout. Issue No. 9 was also devoted to a single subject, Hungary. In this way, I think, we helped build bridges between our societies. This has been and still is a goal implanted in the basic field of the editors' attention.

[Maslon] But the political situation, especially in recent years, forced you to take an interest in the problems of Central Europe.

[Kofman] But it would be an exaggeration to count us as part of the zealous advocates of the concept of a middle Europe. We can find a common fate viewed through the prism of totalitarian experience, largely during the postwar period. There are certain common features of development that take in the entire region between Russia and Germany, but that is the end of it. This concept, which arose out of the Central European myth, has its strong points, but I am afraid that a complex grew out of it more than anything. Why should these traditions be better or richer than those in the West? KRYTYKA will continue to be open, both to our immediate

neighbors and to the East (what is Europe without Lithuania, Latvia, and Estonia!) and to the West.

[Maslon] But you have to admit that KRYTYKA is not a publication for everybody.

[Kofman] Of course, but that is something else again. We have our faithful readers, but not that KRYTYKA comes out officially, we are going to look for new readers. It is true that we still want to be read by the elite, but this does not mean by "professional intellectuals." We want especially to reach college students, journalists, scholars, and scientists, and, nonetheless, politicians....

[Maslon] Political life has recently speeded up so much that a political quarterly, of necessity, will always be far behind.

[Kofman] KRYTYKA was never intended to be a publication with reactions to the very changeable, ongoing fluctuations in politics. We are not a weekly or a monthly. We are trying, however, to publish texts touching on broader political problems, but we go beyond politics too. In the most recent issue, for example, there is my "Commentary on Spring," which I wrote right after Tadeusz Mazowiecki's election reversal. In it I tried to show the broader political context. Let's say, of the past six months to a year. The readers will decide how successful the attempt was.

I think that what makes us different is the art of the essay, literary, historical, and sociological. In the same double issue we are publishing the work of wonderful authors: Herbert, Milosz, Herling-Grudzinski, and Michnik. Adam Michnik is an author whose essays and journalistic efforts have faithfully been with KRYTYKA from the beginning.

[Maslon] KRYTYKA is sometimes perceived to be a publication of the March 1968 generation. You have also been seen to portray the viewpoint of KOR [Workers Defense Committee].

[Kofman] March 1968 is clearly an important date in the biographies of some people connected to KRYTYKA, but far from all. The group is composed of people from various generations, including young people, people with different life experiences, not just the 1968 generation....

[Maslon] According to my information, following graduation from college you worked at the PWN [State Publishing House for Scholarly Works] in the office of the Encyclopedia of Knowledge About Poland, which was broken up in March 1968. Years later here you are again as editor in chief.

[Kofman] I came back to the PWN to a certain extent also with the benefit of an inventory, that is, KRYTYKA. PWN will take over KRYTYKA subscriptions now along with part of the distribution, which is being shared with NOWA, because the Nowa Foundation is helping support the publication of the Political Quarterly Library series of KRYTYKA and of KRYTYKA itself.

Describing KRYTYKA as purely a KOR publication is somewhat of an exaggeration, although we were, of course, closely connected to KOR, mainly through our activity and our acknowledged system of values.

[Maslon] You are unanimously identified with the lay left.

[Kofman] That is a concept which strictly speaking is not applied actually to KRYTYKA, but today it is an anachronism, although it is certain that Adam Michnik's book *Kosciol, Lewica, Dialog* [*The Church, the Left, and Dialogue*], which we published too, played an important, positive role in shaping the March 1968 generation's world view. In KRYTYKA we present texts offering various options: the liberal option, a certain social democratic formula, and also the [Catholic] Church's social science. It was no accident that we are publishing essays, for example, by Fr. Jozef Tischner or Fr. (now Bishop) Jozef Zycinski. After all, we published texts by Zycinski several years ago in the book *Pisma z Kraju UB-u* [*Writings From a Country With an Internal Security Service*]. This editorial formula reflects the preferences of the editorial staff and group.

[Maslon] We are abandoning then the notion of a lay left created by Michnik, but without these principles it is difficult to orient oneself as to what is happening on the Polish political scene....

[Kofman] You are right. But for many years there was no normal political life in our country, so people referred to what went on before the war. After all it is not possible to simply recreate the divisions of more than half a century ago. I do not think that either the old-style National Democratic Party or socialism in its pure PPS [Polish Socialist Party] form can have any future in Poland. The process of rebuilding the political scene is actually just beginning. Old parties and groups in operation long ago are being transformed, and new political groups are being created, groups like ROAD [Citizens Movement—Democratic Action] and Center Accord, which are suddenly seeking their identity, sometimes almost by force. But the ideological boundaries, and the political ones to a lesser extent, often still remain unclear.

As for KRYTYKA, we have tried, and are still trying, to maintain a balance and be open to those ideological currents and directions that feature rationalism and reject xenophobia, those that share democratic values and are antitotalitarian and antiauthoritarian.

[Maslon] In the course of a previous interview we mentioned the KRYTYKA Library series. How many books have you put your mark on?

[Kofman] Jerzy Eisler's *Marzec 1968* [*March 1968*], published by PWN, is the 36th publication. Previous ones appeared in NOWA, KRAG, and IN PLUS. Among others we published Max Weber's reflections *Polityka Jako Zawod i Powolanie* [*Politics as a Profession and Vocation*], just about the entire political and historical journalistic writing of Adam Michnik, Jacek Kuron's

Wiara i Wina [*Faith and Blame*], the historical works of Krystyna Kersten, and the work of Maria Turlejska (*Te Pokolenia Zalobami Czarne* [*These Generations Black With Mourning*]). You can draw up longer lists. Along with the above-mentioned work by Eisler, the book stores now have a book of interesting essays by Anna Bojarska, *Piec Smierci* [*Five Deaths*].

[Maslon] What's in your plans?

[Kofman] This year, in cooperation with Nowa, we are going to bring out one of our biggest best sellers, Hannah Arendt's *Korzenie Totalitaryzmu* [*The Roots of Totalitarianism*], this time officially. A book about the complicated relations between the Poles and the Jews and anti-Semitism will appear along with a book on the Warsaw uprising by Professor Kersten, a book dedicated to the scientific contribution of Bronislaw Baczko, sociological essays by Winicjusz Narok, a journalistic work by Wiktor Kulerski, and critical essays by Andrzej Werner. As before, we will give priority to good essay writing in politics, history, and sociology, as well as literature.

[Maslon] But it is hard to make any profit on that sort of thing....

[Kofman] Never in the world have publications like KRYTYKA been self-supporting. They don't earn their way. They look for sponsors, and we are doing the same thing. Literature like what we are promoting in the KRYTYKA Library [series] rarely makes much of a profit either.

With KRYTYKA we are entering a situation that is difficult for us. The intelligentsia, to whom we are addressing our efforts, is tightening its belt and is consumed with a struggle for existence. It does not have any money. We have to be thrifty too. We are cutting costs everywhere. Suffice it to say that our whole editorial office has only one person employed in a regular position. We have already become used to KRYTYKA's spartan setting, a sort of external asceticism, but this does not mean we want to make a virtue out of it. Nonetheless, at least for the moment, we are not thinking about any basic change in the publications interior, and we are not bringing in any fancy graphics.... The people who buy KRYTYKA will do so, I hope, because of its content. I do not think they will be disappointed.

[Maslon] For our part, we wish the now legal KRYTYKA the greatest readership and the most rapid possible transition to a monthly.

[Kofman] Well, at least to a bimonthly.

Central Photographic Agency Joins PAP

LD2204172991 Warsaw PAP in English 1422 GMT
22 Apr 91

[Text] Warsaw, April 22—Under an agreement signed 22 April, the Central Photographic Agency CAF became part of the Polish Press Agency PAP.

The document was signed by head of the Liquidation Commission of the former RSW Prasa-Ksiazka-Ruch [Worker's Cooperative Publishing House] press concern Kazimierz Strzyczkowski, and PAP's President Ignacy Rutkiewicz.

ROMANIA

Commerce and Tourism Ministry Impropriety Alleged

91BA0487A Bucharest ROMANIA LIBERA
in Romanian 26 Mar 91 p 2

[Article by Petre Mihai Bacanu]

[Text] Yesterday ROMPRES announced the establishment of the Romanian Development Agency as a department directly subordinated to the government by the reorganization of the Romanian Agency for the Promotion of Foreign Investments and Economic Aid. The purpose of the agency is to implement the government's program of economic reform and development by attracting and utilizing foreign sources of capital. The announcement came from State Secretary Misu Negritoiu, chairman of the agency. So we no longer have commercial agencies, just one big governmental agency. For the time being we have to believe the government when it says that it is good to have an agency in charge of coordinating foreign governmental multilateral and bilateral economic aid, channeling foreign capital resources toward structuring and developing key sectors of the national economy, etc., etc.

It seems that Mr. Misu Negritoiu will also be in charge of "policy regarding foreign investments," which this year will not exceed 250-300 million lei, but the prospects are "decisive." And as Mr. Misu Negritoiu has been appointed to such an important post, let us see what he has been doing since he left on duty for... Romania.

In a society that claims to be democratic, the high and mighty cannot be spared when it comes to revealing evil doings. Today we will deal with a particularly serious case of fraud, both in its scope and implications.

On 17 October 1990, by a government decision, Mr. Misu Negritoiu, who served as minister counselor at the economic section of the Romanian Embassy in New York was appointed secretary of state at the Romanian Agency for the Promotion of Foreign Investments and Economic Aid (ARPIAES). What pompous names we now have for former economic agencies that used to be (for the most part) branches of the Securitate!

Mr. Misu Negritoiu has been in Romania since 6 October 1990. In accordance with the law in effect, once he was appointed to his new post Mr. Negritoiu was no longer to be paid by the Ministry of Commerce and Tourism, and his family was to be brought home as soon as possible.

In defiance of the most elementary rules, the Ministry of Commerce and Tourism continued to pay 50 percent of his salary in foreign currency for being "on duty abroad," as well as a family allowance. (We have photocopies of the payrolls for October and November 1990). His family continued to occupy one apartment and one efficiency in New York, also paid for by the state. Last December the damages incurred by the Negritoiu family came to almost \$15,000. Naturally, the Ministry of Commerce and Tourism was required to produce the documents for it. The reply was that the Negritoiu family continued to receive its allowance as per an order of the America Directorate of the Ministry of Commerce and Tourism. Since the allowance comes on top of the functionary's salary, Mr. Negritoiu continued to get 50 percent of his pay in...foreign currency. More than \$2,500 a month.

We will not even ask the responsible officials at the MCT [Ministry of Commerce and Tourism] how they could commit such an illegal action, because we would not get an answer. Nor whether they looked into what goes on at Romania's Economic Agency in New York. As is known, everywhere in the world the results of such inspections are confidential, with the exception of cases of flagrant embezzlement which, in a state "of law" as we now claim to be, are brought to court.

Nevertheless it was found out that this was an abuse plotted by Mr. Negritoiu with the complicity of the MCT leadership and the extensive cooperation of Mr. Negritoiu's replacement in New York, Valeriu Velciu (an old colleague).

Currently, Mr. Negritoiu is probably the only state secretary who gets a dollar allowance for himself and his family.

The amount of money thus extracted from the state coffers: \$50,000.

It seems that this was not Mr. Negritoiu's first law violation. Before the revolution, when he was sent for long stretches to the United States, and later, when he was promoted to director of a foreign trade enterprise, Mr. Negritoiu also stuck his hand in the state's pocket, but was treated with inexplicable leniency.

By continuing to pay Mr. Negritoiu and eight other functionaries (whose salaries come to over \$150,000 a year), MCT violated another government decision (805/1990) which both sets a limit on the number of economic personnel sent abroad and disposes that such personnel is to be moved to the capital cities of the respective countries together with the embassies (a rational measure, considering that currently the economic personnel is involved mostly in direct contacts with officials in the capital cities, whereas specific transactions are conducted by the economic companies themselves). What do you think is written on the October and November 1990 payrolls? RSR [Socialist Republic of Romania] Economic Agency in New York. Mr. Minister Counselor Misu Negritoiu and his men think they are still in the

RSR. What counts is that Mr. Minister Counselor Negritoiu added the following confirmation on the payroll: "This is to testify that the above listed persons fulfilled their duties and are entitled to receive their full salary."

What now? Will this affair get "bogged down" somewhere on the long road toward truth and justice? Is it possible to find out anything from the ministries and the government? Only if the Prosecutor's Office took a hold of this strand would it be possible to unravel the whole ball of yarn with its chain of surprises.

And something else. Of all the young economists and experts we have here, who are fluent in foreign languages, could not a few be found to replace those who represented our country abroad for so many years and who so long to return to their native land?

YUGOSLAVIA

Interview With Prime Minister Markovic

91BA0537A Ljubljana DELO in Slovene 12 Apr 91 p 24

[Interview with Prime Minister Ante Markovic by Janja Klasinc and Andrej Poznic; place and date not given: "Lower Cost of an Expensive Reform"]

[Text] We spoke with Ante Markovic on the night between Thursday and Friday. In Brdo pri Kranju, a press conference had begun several minutes before, at which the republic presidents announced that they accepted the federal government only as a bankrupt administrator.

In the meantime, the Prime Minister has prepared his strategy for addressing in the Federal Assembly on 19 April, as if the interrepublic political maneuvering in which the six presidents are more and more directly involving the federal government and the fate of its president, did not concern him. In our conversation the prime minister again, as he has done many times before, explained the logic, sequence, and consequences of his concept of social reform—patiently, precisely, and coolly, as if everything that has made Yugoslavia into one of the most serious and most persistent crisis areas in the world did not exist, and as if there had not been demands for his resignation or replacement.

[DELO] You began to implement your reform with the logic that economic changes would make it easier to settle political issues and interethnic issues. It seems that it is precisely over this issue that the reform has failed. Was it because your assessment was wrong, or were some other influences responsible?

[Markovic] Several things happened that influenced each other. Our program is very demanding and complex—from the legal system, through the political system, to the economic system. It is not true that we neglected the political area by starting with the process of changes in the economic area. Everything is connected. Social reform is not possible until all the necessary changes are

completed. Without a change in property relationships, however, political pluralism is not possible. We know that the social order depends upon the form of property. I did not invent that. That is why the reform has been negated, because the process of changing ownership has been halted.

[DELO] Was it realistic, however, to expect that the national politics, national leaders, and national parties would yield to you the power that comes from political authority? That they would allow the form of ownership to be changed, and that on the other hand, they would concede certain jurisdictions that could come into the hands of republic politicians?

[Markovic] You know, it is like this; the transition from one system to another has to be made, whether we do it in the kind of state we have now, or whether we separate into six units. None of them will be able to avoid it and each one will pay its own economic and social price. Some people think that it can be avoided, but it cannot. The national politics will have to understand that their political authority can only be consolidated by continuing the reform. If they stop it, they will cause economic collapse and a social explosion that will sweep them away as well.

[DELO] Do you have the feeling that the republics' leadership are aware of this? Does it seem to you that they are working on reforms, regardless of possible differences in their approaches?

[Markovic] Above all, I have the feeling that they are all preoccupied with relations and not with content. My life's experience tells me, however, that there can be no solution if an attempt is made to solve things that way. It cannot end well if we talk about mutual relations without first solving the problems. We are expending a tremendous amount of energy in talking about mutual relations, but we are not making an effort to give them a new content and to allow a more elegant settlement of the disputes by implementing the reform.

[DELO] According to what we heard a little while ago from Brdo pri Kranju, the republic presidents obviously agreed finally that the work of your government would be limited to the scope of the truly most necessary activities of the federation during the transitional period. What is the minimum that is acceptable to you, and in which you would also still be prepared to work?

[Markovic] As you have seen, I was working, and so I did not watch the press conferences; that is why I cannot comment at this time. As you know, the Federal Executive Council, which proposed constitutional amendments, last December provided a constitutional and legal framework for all the legal and political changes. It was not accepted. Instead, the reform was halted by various pressures in the fall. That is why in October we formulated a minimal program that we later named the program for increasing the efficiency of the state's operation in the transitional period. That is the well-known "11 + 3-point" program. I still maintain today that we will not

reach an agreement in Yugoslavia—even if we were in full agreement that republics could secede and become independent states—if all the necessary conditions for secession have not been established and if not enough time is available for it. The main condition is that full legal security has to exist at the time of separation, since without it, we will all fight among ourselves.

[DELO] Are you saying that because of your familiarity with the intermingled flows of goods and capital in Yugoslavia?

[Markovic] Not only that, but everything else as well. Legal security applies to personal safety, commerce, transportation, and all other social functions. From the moment that we decide on separation, a certain amount of time has to pass before the actual separation. It is necessary to arrange international relations, internal relations, and to arrange mutual obligations. There are hundreds and hundreds of issues that cannot be settled by unilateral decisions. All the Yugoslav international obligations will have to be paid, regardless of how the republics arrange their mutual relations. Regardless of the extent of Slovenia's fair share in the Yugoslav debts, for instance, according to international law it would also have to take over our obligations that would possibly not be taken care of by some other republic. Foreigners will not be interested in whether Slovenia and Serbia are still in the same state, since contracts do not become outdated. Minister Zekan said just yesterday that he had to sign one of the installment payments on the debts that Prince Nikola incurred when his daughter was crowned. If we do not agree on all of this peacefully, real chaos and anarchy will reign during the intermediate period.

[DELO] Each republic is now establishing its own legal system, however. Slovenia was the first one to overturn some federal legislation, and others are announcing and doing the same thing. What steps will you take?

[Markovic] Let us go back again to our minimal program for the federation's activity during the transitional period. At today's meeting with the presidents of the republic governments, we agreed that by 18 April they would inform us whether they were prepared to countermand the measures breaking up the unified Yugoslav market, which everyone needs. Actually, they do not even need to countermand those measures; it will be enough if they decide not to implement them for the time being—as long as the intermediate period lasts.

[DELO] And if they do not do that?

[Markovic] Then what we have now will continue—real anarchy and economic disorder!

[DELO] What are the consequences of this situation? You yourself say that economic policy has not been working since last October.

[Markovic] Terrible. Production is not the only thing that has declined. Processes of social fragmentation have occurred. In order to prop up the collapsed economy,

issuance funds are being used; wages are being paid without anything to cover them; we have used part of the foreign exchange reserves. Several assessments tell us that in the last six months alone, this economic chaos has cost us over \$15 billion. The social product has dropped 10 percent, wages have increased by more than 70 billion dinars, and public spending has increased by 131 billion dinars. The raids on the monetary system have taken away 10 to 20 billion dinars. Who could calculate all the damage?! I have to say that in spite of everything that is happening, certain indices still show the quality of our program. In spite of all the monetary breaches and the lack of financial discipline, in the fall we managed to curb inflation, which was already growing very dangerously in September and October. In January 1990 inflation amounted to 5.6 percent, but now we calculate that in April we had already pushed it down below 2 percent. But everyone, including your Bajt, was predicting that there would be double- or triple-digit inflation now!

[DELO] That, of course, is at the expense of the decline in industrial production! That is why social tensions are increasing.

[Markovic] No, no, that is not related at all. Production would have declined even with higher inflation. It is no longer possible to solve things just by printing money. The reform requires qualitative changes, but there have not been any, because no one will embark upon them.

[DELO] How, then, would you comment on those demands for the beginning of a new investment cycle, which are coming both from the developed and the underdeveloped republics?

[Markovic] This usually has to do with a desire to keep the old economic structure; but we cannot get anywhere with that structure. We need a new property structure and a new economic structure. With those demands, they want to freeze the old one. Where are we supposed to get the money from? The processes of involving the population's funds have stopped; new investments, which were almost 100 percent private last year, have stopped. People do not feel secure because of the political situation. There were 2,900 foreign investment agreements in the first nine months of last year; from then until now, there have been virtually none. Even from the agreements signed, which were supported to bring the country approximately 2 billion German marks [DM] in fresh capital, foreign investors paid DM260 or 280 million, I think, by the fall. In the second place, everything has stopped. With what money are we thinking about entering into that famous new development cycle? With what? There is no press that could print all the money that can be swallowed up by the deep holes in our economy.

[DELO] Foreign loans?

[Markovic] But who would give them to you?

[DELO] But that seems to be the strongest card that you are playing. You enjoy a high reputation abroad, and it

seems that you hold in your hands the threads of possible new financial arrangements. Why are you giving the republics a free hand in borrowing? Is it possible to implement the program of minimal activity by the federation with financial dealing with foreign countries transferred to the jurisdiction of the republics? Just a few days ago, Slovene Foreign Minister Rupel complained that you were not allowing the republics to engage in autonomous borrowing.

[Markovic] I ask you—who could prohibit anyone from doing something like that, if he gets a partner for negotiations?! On the contrary, we have written into this country's policy the right of enterprises, individuals, and banks to borrow abroad independently—but not with a guarantee from the federal government. Look, Izbetbegovic was in Libya, and got \$50 million from Qadhafi. I could only congratulate him. That has to be done with one's own guarantees, however. Their problem is that no one will give them even surplus money in return for their guarantees. You cannot just go and borrow money and expect that the Yugoslav state or the NBJ [National Bank of Yugoslavia] will provide the guarantees. That is a film that no one is going to see. But I agree with you; we have support and willingness on the part of world capital and financial institutions, and some large countries, to provide financial support for our reform. Not because they like us, but because they see the possibility that our reform might lead to an efficient economic system on the basis of a true transformation of ownership, and not nationalization, as most of the republics are beginning to do. In that way we would also become a fairly attractive business partner for them.

[DELO] Mr. Prime Minister, when you were elected two years ago instead of your rival candidate, Dr. Borisav Jovic, who were the forces that decided on you, and chose your concept of the reform and not his? Where are those people today? Did they die, or just become silent?

[Markovic] You know yourself that at that time there was a very intensive process of differentiation in political circles, although not in that negative meaning of the word, as we usually understand it. There were liberal forces opposed to the old orthodox forces. In that same period, the liberals had certain assistance. Through a combination of circumstances, I was chosen as their candidate.

In the meantime, a process has taken place in our society through which, under the pressure of events, the ideology of communism has been replaced by the ideology of nationalism, combined with religion. That is currently more powerful. What is irrational and emotional is closer to people, of course, especially when they hear that some system is falling apart instead of changing. National feelings thus remain the only thing that unites people. It is only the beginning, however; the time will come later, and has already come, when it is necessary to start solving people's real problems. Then that division no longer suffices. Then the liberal forces, which have

better answers to those questions, will necessarily have to appear on the political scene.

[DELO] Right. Those liberal forces, however, are now obviously also being strengthened within the framework of individual republics. Would it not actually be more realistic to expect the social, economic, and interethnic problems in our Balkan region to be solved more easily within individual republics than from one center, with an identical prescription for everyone?

[Markovic] But our program is not centralizing anything! It is not imposing uniformity, either. In the final analysis, the general principles of legal security in a financial or any other system have to be equal for everyone. Everything else depends upon the unique features of each individual area. I do not see any contradictions among economic, national, religious areas, and so forth. I do see contradictions in the fact that feelings are being exploited instead of seeking answers to real issues. If the unified operation of the Yugoslav system were successful, that would also accelerate Slovene development.

[DELO] How do you view the possibility of Slovene secession in that light?

[Markovic] All options are open, of course. Everyone must be given the right to decide for himself. No one, however, will be able to escape the necessity of reforms. Our starting point was that the cost of the reform would be lower if we carried it out together instead of each one for himself.

[DELO] Do you in the FEC [Federal Executive Council] have figures to back such a claim?

[Markovic] Of course. Look, if we decide on separation, it will be necessary to arrange a whole series of things that we have not thought of yet, because life under the old system did not require it of us. That would take a very large amount of energy from us, which would not be devoted to changes but rather to conflict as a means of settling our mutual relations. A great deal of time will be lost, but no one will be able to avoid reforms. If not earlier, then after five years—only then the cost will be substantially higher.

[DELO] With Prime Minister Markovic or without him?

[Markovic] It does not matter at all! From my point of view, it would be better if it were without me, because I have a lot of more pleasant work to do. Changes have to take place, however. Otherwise, we are threatened by Lebanonization, which will turn us into an isolated island.

[DELO] What sort of role will the Army play in all of this?

[Markovic] The Army will certainly not consent to falling apart. Remember what happened between 10 and 15 March. The SFRY Presidency fell apart, there was no Assembly anywhere, and people wanted to impose a state of emergency. Peace hung on a very thin thread. No

one asked who was preventing this. A light was on in that room the whole night, and we all knew that it was the last room where the state was still functioning. As you know, however, everything was resolved politically, not by other methods.

You are right, to be sure. I was one of the first who demanded depoliticization, and not just in the Army, but in the entire state administration. We carried this out in the administration, and also designated a deadline by which depoliticization would have to be carried out in the Army. You know yourself that the proposed law has already been in the Assembly for two months.

[DELO] Where it is being held up...

[Markovic] It is no longer within the jurisdiction of the government, but rather of the Assembly.

[DELO] The great activity of the leading military personnel in the LC [League of Communists]-Movement for Yugoslavia by no means indicates depoliticization of the Army.

[Markovic] Perhaps I am not well-informed, but to the best of my knowledge, no active military officer has appeared publicly at any of that party's meetings.

[DELO] Well, it is obvious that active and retired officers are cooperating well in it. You personally have been frequently criticized for forming a pact first with generals, and then with the leader of one republic or another, all in order to reinforce your political power and authority.

[Markovic] I have not formed a pact with anyone. I have devoted all my knowledge and experience to the reform, and I have not deviated from that. It has frequently been said that Markovic was yielding or agreeing to compromises. It is only that on certain vital issues I was quite flexible, and understood that things could not always go just as we had thought. This, however, did not involve concessions or compromises with any specific political goal. It is very characteristic that I am attacked sometimes from the left, and sometimes from the right, and now from all sides at once. If I had really agreed to compromises, I would not be in such a position. I can tell you that I have been offered alliances.

[DELO] What kind?

[Markovic] Alliances were offered to me, but I never accepted any of them.

[DELO] It would be interesting to hear what alliances those were?

[Markovic] That will also be done, but now it is still too early.

[DELO] Many people are convinced that the reform actually failed at two points: when you approved a large pay increase for the federal administration and the Army

last year, and when there were raids on the state monetary system, which you allegedly knew about and agreed to.

[Markovic] Neither is true. You are aware that in the first six months of last year we had disgracefully low wages in the administration. In June, for example, a minister earned 8-9 thousand dinars. You will agree that that is not an enviable figure.

As far as the raid on the monetary system is concerned, it would be absurd for a person who separated fiscal from monetary policy, perhaps for the first time since the war, and in 1990 did not allow a single dinar from the primary issuance to go into the state account, to allow a raid on the payment system. Those are speculations, just as it is also a speculation that I am defending the thesis of a convoy, which is very prominent with certain Slovene politicians. Some people have taken that thesis out of the context of a lecture that I gave in Brdo pri Kranju. I spoke about the fact that Slovenia does not need to wait for the development of Macedonia or Kosovo, and instead the system must force them to follow the developed ones as quickly as possible.

[DELO] Nevertheless, if Slovenia has to give so much to the federal budget, then not only its rapid development is threatened, but development in general!

[Markovic] That will not hold true. Just compare the federal budget with Slovenia's. The Slovene budget amounts to 70 billion dinars. Do you know how large the federal budget is? It is 132 billion dinars. Consequently, the budget of Slovenia, which has a population of 2 million, is almost half the budget of all of Yugoslavia, which has a population of 24 million. Then let the Slovenes themselves draw conclusions from this. Of course, if you will just make it public!

[DELO] If you look back, does it seem to you that you have nevertheless been wrong at some time?

[Markovic] It is all still too close. Nevertheless, I am convinced of something. The program itself, all of its parts and its distribution over time, are such that I would repeat all my steps once again. You know that at the very beginning I predicted that we could not carry out the reforms in less than five years. I also planned for opposition. As you know, at the very beginning of my term I predicted that at some point everyone opposed to the reforms would unite: conservatives, hegemonists, nationalities. I predicted that this would also be linked to social tensions. That is the critical point of the reform.

[DELO] And that is happening now?

[Markovic] As you can see, it was not possible to avoid it. It is only a matter of time. Consequently, we are not having difficulties because of mistakes in the program, but rather because certain objective limitations exist, which of course cannot be avoided or escaped.

[DELO] Can you predict now what will happen in the next two years?

[Markovic] I think that the most critical period is behind us. I expect that what will win out will be people's interest in continuing the reform in such a way that it will expand and intensify democracy; and in such a way that the system will motivate people to fight. Now they are not fighting, or if they are, it is only in order to protect themselves. People today are not taking the risk of fighting for something new, for something that would contribute to development. I think that in the next two years we will experience changes precisely in the sense that people will begin to fight. That will certainly be a sign that we are coming out of the crisis.

Raskovic on Relations With Milosevic

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[Interview with Prof. Jovan Raskovic by Svetlana Zelenbaba and Ivan Radovanovic in Belgrade; date not given: "All of My and Milosevic's Mistakes"—first two paragraphs are BORBA introduction including opening quote by Raskovic]

[Text] "When I went to the United States, Babic initiated contact with Milosevic. Babic is linked to Milosevic or to several generals. Milosevic offered me a coalition with the SPS [Socialist Party of Serbia], but I refused. There is a profusion of primitives and crude people in the Serbian parliament. Babic probably lost his bearings—whenever he enters into a crisis he tightens up. Croatia must consist of Croatian and Serbian territory."

Jovan Raskovic was waiting for us in a white jacket. His "first" natural setting, a psychiatrist's office (of late, that office has been located at Belgrade's Sveti Sava Hospital) makes a rather unreal impression on us. We have not gotten used to this Raskovic. The only thing that is the same are those well-known slow gestures. For the next hour, our conversation will be continually interrupted by telephone calls.

[BORBA] To what extent was it a mistake for you to go to the United States while the events in Knin were in full swing? Milan Babic took advantage of your absence to take over power there (in Knin).

[Raskovic] It would have been more sensible for me not to go to the United States. But on the whole I regarded the matter in anthropological terms, not political ones.

Two Fathers of Milan Babic

[BORBA] Did Babic and his people inform you of what was going on? Were you in control of the situation?

[Raskovic] I had no reason not to believe them, even when it happened that they did not ask me, but rather only informed me. I think that that was when the first contacts began between the Belgrade group and Babic.

To create some sort of symbolic link between Babic and them, perhaps even between Babic and Milosevic himself, but in any event with his staff.

That was the moment when Babic became a "double kid," when he no longer had just one father, the one father who up to that moment had created Babic's political and human makeup. Babic entered into a situation of suddenly having two political fathers. One who equipped him with intellectual instruments and who supported him in his political childhood, and another who joined in later and had more social and political influence over him than intellectual influence. To all appearances, he began to lean more towards this second father, and initiated direct cooperation between Babic's group and Belgrade. I was opposed in principle to cooperation of the sort where we would be dependent on Belgrade and where we would seek approval and some sort of consent from Belgrade for everything that we do.

[BORBA] To what extent was it a mistake to try the whole time to remain autonomous from, but at the same time also linked with, a natural ally of Serbs in Croatia, the Serbian state? Specifically, how big of a mistake was it that you did not take a stand as an anticommunist from the very beginning? Some of your associates have told me that things would be easier for Serbs in Croatia if Serbia were not officially looking after their interests.

[Raskovic] I was in a jam there. I was not thinking politically. If I had been thinking politically—and thinking politically primarily means not thinking sincerely, concealing one's thoughts—it stands to reason that I certainly would have found the balance of which you speak. But my principle is to act ontologically, in the way in which I experience the entire matter. People who act in accordance with their emotional charges and contents more than according to their rational faculties—and in that case I was acting in this way—commit mistakes that are obvious. Besides which, the Croatian leadership tricked me. In a situation like that, I did not defend myself personally, but rather the movement. Because if the leader of a Serbian movement says that the Serbian paradigm and metaphor at that moment—Milosevic—is a dictator and a disagreeable person, that he is aggressive and an inveterate communist, like they said, then I was obligated to deny that. A denial in the form of "I did not say that" seemed to me to be inadequate, since the movement at that hour was falling apart, its leader and his ideas were fading. It was not my primary intention to remain leader, but rather to save the Serbian movement in Croatia, and to a large extent the Serbian movement in Bosnia-Herzegovina as well. Thus, I had a major responsibility at that moment, meaning that my fellow democrats in Croatia, who have a completely different attitude towards Milosevic than do the Serbs in Bosnia, would resent me for this. And they did in fact feel deep personal resentment towards me for this support of Milosevic. Such support for Milosevic was necessary for the Serbian people, not for me.

Milosevic Throws Away His Opportunity

[BORBA] But many things changed after that letter...

[Raskovic] At that time, I realized that Milosevic is a man of very advanced political capabilities, that he is a very smart politician. But immediately after that letter I told Milosevic that he had made an enormous political mistake.

Did you schedule free elections in Serbia while the Berlin Wall was still up, I said, while Czechoslovakia, Hungary, and, to a certain extent, Poland were still around as the staunch bastions of communism? You would have been doing something that would have been of historic proportions, coming on the heels of Gorbachev's political intervention. After that, there certainly would not have been a Kucan and Tudjman, nor a Croatian-nationalist Croatia. You would have simply inundated the senses with the ideal of social democracy, and Serbia would be one of the bastions of the new democratic order. I told him that and said that he will never have that kind of opportunity again, nor will he succeed, and a person who squanders such an opportunity in this life does not get any more.

[BORBA] So does that mean that you, too, feel that the undemocratic events in Croatia have been provoked by undemocratic activities in Serbia?

[Raskovic] It is still unclear whether Serbia was undemocratic when all this happened, because to part of the "Yugoslav race" Milosevic was a moral figure, while to others he was a satanic figure. At that moment, the entire country was divided over one person. He is least of all to blame for that. I do not think that he was engaged in any explicitly undemocratic action against the Serbian people and the Serbian state at that time. The fact remains that Milosevic did his greatest things for the Serbian people as a communist.

[BORBA] Let us turn to Krajina. Does it not seem to you that Belgrade has failed to provide the Serbs in Croatia with any reasonable assistance, choosing instead to "pump up" those people's emotions? Because now that they are demanding to accede to Serbia, they are not getting any support from these quarters.

[Raskovic] Serbia cannot accept Krajina at this time, because that proclamation was not a diplomatic proclamation, but rather a political one. It is certain that Milosevic and Serbia have committed as many sins against us as I have committed against Serbia and against Milosevic personally. It comes as no surprise to me that not one signal of appeasement has gone out from here. I am the only person who sent out signals of appeasement, despite the real dangers of the situation. I have not received any official support in Serbia for my stance, although Serbia's official support for the group around Babic has dried up altogether. Here there were mistakes by Babic as well, his direct ties with the ruling party in Serbia, his revilement of Vuk Draskovic and the

opposition.... These are things that someone who is not from Serbia cannot afford to do.

What Babic did from the very beginning, from the moment when he renounced my advice, regarding it—and even declaring it publicly—as pacifist, was to decide on a more resolute stance.

[BORBA] Perhaps a more militant one?

[Raskovic] I would not say that, but perhaps that expression is possible as well. All militancy is contrary to my psychological structure. In fact, Babic made connections, whether with Milosevic or with certain generals, as I have been hearing lately, I do not know. He took several actions in agreement with them, but not with me. Besides this, there was also profound disagreement between us when we had to create the Serbian Democratic Party [SDS] for Serbia here, in order to participate in the elections. This was the first time that the SDS for Serbia was "raided," "penetrated," and it was penetrated by Draskovic's party and the Socialist Party for their own part.

[BORBA] At that time, there were stories circulating in Belgrade about your meetings with Milosevic and about how he offered you everything to keep you from announcing for the elections.... What was Milosevic's position?

[Raskovic] His position was to not accept our participation in the elections. You know, I am the child of a lawyer, a gentleman, who announces himself to the host when he enters someone's house. I felt that the host was Milosevic, that I had to notify him so that we might be allowed to come here. He did not refuse us directly, instead providing in his own way an abundance of arguments for why we should not come, and if we did come we would be in a coalition with the Socialists. I told him that we would not enter into a coalition with the SPS, not because I am anticommunist, but rather because I do not believe in Marxism, while Milosevic in all likelihood still does believe in it. Marxism is fundamentally, essentially indecent, antihuman, because it regards man in only one dimension (as producer). The very idea of the working class as Prometheus is psychotic...

Thus, I did not agree to this coalition. We even discussed going to places where he had no chance of victory, in certain opstinas in Vojvodina. There is a fair number of Krajina Serbs in Vojvodina... I did not say anything at the time, but I had already decided that I would go either completely or not at all. When we had the meeting of the executive committee, it was decided by a majority of three votes not to participate in the elections in Serbia. That count was said to be rigged, that the votes were counted by people close to Milosevic and who would have sympathized more with the SPS than with our party. I think that the SDS never enjoyed full support from Belgrade, nor is there any today.

[BORBA] Are you aware that the Serbian opposition is being held hostage by both Kosovo Serbs and Serbs from Croatia, or rather that those Serbs are the official Serbian authorities' alibi for undemocratic actions?

[Raskovic] That is an ideological position.

[BORBA] There have been cool relations between you and the Serbian opposition for some time now.

[Raskovic] The democrats also rejected our participation in the Serbian elections. I spoke with the democrats, and they were opposed to our participation here.

[BORBA] The democrats accused you of close ties with Milosevic...

[Raskovic] Yes, they accused me of close ties with Milosevic. I was there on 9 March and saw what was happening, as a person, an observer...I didn't join them, not because I did not support them, but rather because I did not want to get involved in that conflict between the opposition and the authorities. It seemed to me that I should remain loyal to both one side and the other.

[BORBA] Do you think that is possible?

[Raskovic] I know it is not possible, but it seemed to me that I should not go there at the time and hold talks. So I went to the Mazestik in order to talk to my own people, the SDS for Serbia, so that I could support the opposition's demands, but it would not have been appropriate to speak.

[BORBA] Let us return to the opposition as a hostage...

[Raskovic] If it is a hostage, then it is a hostage of ideology. That is an ideological position of the Communist Party.

[BORBA] To what extent were you able to help the opposition in the elections? Did you give them support, for example...

[Raskovic] If the SDS had participated in the elections, I think that in real terms they would have gotten votes both from people who voted for the opposition as well as from people who voted for the Socialists.

Our policy is based on the Serbs and on democracy. On civil and not national sovereignty, on the principle of law and democracy for each individual.

[BORBA] Regardless of this, the Serbian opposition did not receive even verbal support from you.

[Raskovic] It did not receive any verbal support whatsoever. I did not agree—and to this day I still do not agree—with the delirious procedure that manifests itself in Vuk's party. I cannot accept any sort of delirious stance. Moreover, I do not like this transformation of national symbols into costume jewelry. I do not like that, nor do I like these delirious demands. I like them to be emotive. I also did not give support to this party (the SPS); rather, I gave support to Milosevic, because that was a situation in which he genuinely had competition.

[BORBA] Are you aware that Milosevic is the same thing as the SPS, that by giving support to him the SPS itself shared in that support?

[Raskovic] I am opposed to the SPS primarily because I am opposed to any one-party system. For me, it would be ideal for no one to get a majority in Serbia. Not the SPS, nor Vuk, nor the Democrats—for it to be a genuine pluralistic state in which the government changes continually. That is good, and it should be changed. Our problem is that we have never emerged from socialist realism, not the socialist realism used as a term in art and literature, but rather the kind that pretends to be a way of life. For this reason alone I was opposed to a one-party system. We still have this socialist realism today. That is precisely what they are doing with the parliament today and what they are using to frighten us in terms of what is going on inside that body. They say, "Look at how things are in parliament." They do not realize that a free parliament is the same thing as a sort of market place where people can engage in battle. All of this is part of normal human communication; it is in no sense uncivilized communication. That is why I find it so ridiculous when they refer to the Serbian parliament, where there is a profusion of primitives, as some form of high-level communication. They continually insist on that point, but when they take the floor one by one you can see the extent to which there are primitive people and insecure ideas here, as well as crude people. I beg you to understand that it is not my intention to criticize the entire parliament, but I must comment on this. In addition, the primitives always talk about refinement, just as drunks always talk about abstinence.

Primitives in Parliament

[BORBA] Let us return to current events. The people in Krajina have lost their heads. The Serbia nation is distracted. The moves being made by politicians there are rather illogical. Serbia cannot and dares not accept the accession. What do you think about this?

[Raskovic] I think that the moves made by the group around Babic, all the way up to the final move, were synchronized with Belgrade's thinking. All of it was in response to Belgrade, and it even gave Belgrade a certain advantage in the direct talks between the presidents and in the talks within the Presidency. I do not believe that this final move was synchronized with Belgrade, and I do think that the group surrounding Babic carried it out on its own.

[BORBA] You know Babic well, [illegible text] his intellectual position. Please tell us to what extent it is possible that he was frightened by the whole story surrounding the Milosevic-Tudjman talks and for that reason decided that Krajina would accede to Serbia.

[Raskovic] He was not frightened by that. He had profound faith in Milosevic and he supported Milosevic without reservation. I think that he maintained this same unreserved support of Milosevic all the way up to that event. It must be noted that even in this move, Milosevic

did not refuse Babic's support, the Serbian declaration did not close the door to Krajina, but Babic nevertheless did not get open support. Milosevic dared not do that because that would have meant the collapse of talks concerning Yugoslavia, and Yugoslavia itself would have collapsed ad hoc.

Rhetorical Statehood of Serbian Krajina

[BORBA] So what motivated Babic, in your opinion?

[Raskovic] Babic probably lost his bearings. You know, that is a mechanism—whenever he enters into a crisis, he tightens up. It is a type of policy consisting of a tightening of the belt of Serbian-Croatian relations in the sense of outspoken contempt for present-day Croatian statehood, but there are also personal investments in this policy. It is maintained by the personality. A personality who is in a state of crisis in relations with his own people. Babic made moves that according to his understanding of the matter were in line with Serbian interests and at the same time represented a boost to his own fallen ratings. Consequently, several strata were mixed up in these actions of his. For example, it is certain that the separation of Krajina, which immediately followed the catcalls that Babic experienced at a rally in Knin, gave him a few points.

However, that did not strengthen him as a political figure, so then he undertook secession, which was his next move and which strengthened his position rather well. And finally, it seems that he felt that the time had come—and this was a period in which Milosevic was experiencing a crisis in Serbia—for him to make his own move. He probably thought, as Milosevic's man, that this would also be of advantage to Milosevic himself. However, it turned out to be very disadvantageous to Milosevic, and even Milosevic did not know what to do at first. Especially now that the opposition has taken a stance and Milosevic is faced with a dilemma—if he accepts Krajina he will be condemned by Yugoslav and international world opinion, but if he rejects it, he will be condemned by his own Serbian people. Thus, he is now in a very difficult situation where he is simply steering a middle course between these two poles.

[BORBA] What are your chances of resuming some leadership role in Serbian Krajina?

[Raskovic] You see, the people there are currently convinced that they have gained a state, but they have not gained a state. And right now it is very difficult to explain to those people that what they have now is only political statehood, that it is a question of rhetorical statehood. Actual Krajina statehood exists only in one regard—the police who are controlling these areas with weapons. All other forms of statehood are rhetorical. And for that reason it is very risky to tell these people

that they are not really what they think they are. But I want to say this to these people right now, because I want these people to avoid conflict, to avoid bloodshed. This is why I am willing to go to the negotiations. But these negotiations should not mean that only we will back down. The other side must back down as well. What I would ask for from the other side and my idea for a solution to the entire question is that the Croatian state must immediately be given a radically different structure. In a word, that it not be ethnocratic. As long as it is ethnocratic, it will have a problem with Serbs. Because it must be a state that includes both Serbian and Croatian territory within it. These territories were established way back in the Austro-Hungarian days. I would furthermore ask that Croatia be a modern, democratic, free, bourgeois, ethnic state with sovereignty that is not only Croatian, but rather applies to all the people who live there. Ethnically, historically and democratically, there are three fundamental nuclei that would have to be reflected in the constitution. Through this, the character of the Assembly would also have to be different. It would have to be set up in such a way that particular deputies are elected in these particular territories (Serbian and Croatian).

[Box, p 16]

Radicalism

I am afraid that by suppressing radicalism in the Serbian movement, these people around Babic, we will engender a sense of resignation among the entire Serbian nation. There is an enormous threat to the Serbian nation inherent in this pendulum between quashing radicalism and the possibility of creating a new feeling of resignation. No matter how indulgent and partial I am to apostolic solutions, I would rather subscribe to radicalism than to indifference. We must now figure out where to stop on this pendulum. There is a great danger of us turning radicalism into defeatism. I am very cautious about this.

[Box, p 17]

Dobrica Cosic

[BORBA] How are your relations with Dobrica Cosic?

[Raskovic] Very good. We are old friends dating back to Korcula School. Our friendship goes back more than 20 years and has never been clouded by anything. The charge that has been leveled lately against Dobrica Cosic—that he is Milosevic's man—is not true; I know precisely his view of matters. He is loyal, in an intellectual sense, to Milosevic, but he is not Milosevic's follower, nor could Dobrica Cosic even be a follower. In my deep-seated judgment, Slobodan Milosevic is Dobrica Cosic's political offspring.

New Bosnia-Herzegovina Media Laws Attacked

Debate in the Assembly

91B40520A Sarajevo OSLOBODJENJE
in Serbo-Croatian 27 Mar 91 pp 1, 3

[Unattributed article: "A Blow to the Freedom of the Press"]

[Text] Late last night, the deputies in the Council of Citizens passed laws taking away the right of journalists at OSLOBODJENJE and Sarajevo RTV [Radio and Television] to choose their own leaders. The laws were adopted by 84 votes, but not a single deputy voted against them. The opposition parties—the reformists, SDP [Party of Democratic Changes], SSO [Socialist Youth League], and DS [Democratic Party]—ignored the vote, but did not leave the hall. In connection with the Law on Television, an amendment was submitted by Irfan Ajanovic (SDA [Party of Democratic Action]), proposing that the name of Sarajevo RTV be changed to Bosnia-Herzegovina RTV. The government of Bosnia-Herzegovina supported changing the RTV name, but as Deputy Prime Minister Rusmir Mahmutcehajic explained, it had decided that the name change should be handled in regular proceedings. The government feels that there is no urgency in this case, as was the case with the amendments to the Law on Public Enterprises, Dr. Rusmir Mahmutcehajic explained.

Share and Monopoly

It was already clear that this would be the outcome of the vote when the agenda was determined; the opposition's proposal that the proposed laws on OSLOBODJENJE and Sarajevo RTV not be included in the agenda was rejected by 87 votes. The debate on the proposed text of the amendments to the laws was much shorter than the half-day discussion of the agenda. It was noted that the opposition deputies took the floor twice as often as the deputies from the ruling parties, but not one of their proposals went through, not even the one that these laws be discussed during regular proceedings. On behalf of the SRS [Alliance of Reform Forces], Dr. Dragan Kalinic presented several proposals: that the adoption of the laws be postponed, that a public discussion of them be held, that the employees of these news firms be allowed to elect a director, and the journalists an editor, that the Ministry of Information compile an analysis of the national structure at OSLOBODJENJE and Sarajevo RTV, and that a supraparty council be formed, through which social influence could be exercised over personnel and business policy. Several of the arguments that the opposition offered against the legal amendments also pointed out the fact that the concepts of public and state enterprises were being confused. Prof. Osman Pirija called attention to the fact that if it was not known how much of a share was owned by employees on the basis of their past work, the Assembly could not have a monopoly over these firms.

The arguments of the proposer of the amendments to the laws and the deputies from the parties that constitute a majority in the Assembly pointed out that the Assembly was not infringing upon the freedom of the press, but quite the opposite—that that freedom would only be manifested after these changes in the laws. Several deputies from these parties said that a higher degree of democratization of personnel policy was contained in the fact that the future leaders of these news firms would be elected by the 240 deputies, and not by workers' councils that were subject to influence. The deputies from the ruling parties said that they were not interested in the opinion of journalists, calling them informal groups. It was also stated that the government would prepare a special decision that would regulate the work of competition commissions, which would be composed of 10 representatives of parliament and five representatives of the news firms, as stated in the government's amendment, which the Assembly accepted.

By National Keys

The deputies in this Council adopted the amendments to the Law on the State Administration and Justice by a majority of votes. The essence of the amendments to the law has to do with the possibility of dismissing officials and their deputies in the state administration before the expiration of their terms. The original proposed law contained the wording "if that is required by particular interests," in order to use the amendment to replace the legal principle of inserting words on achieving balanced national representation in these bodies. An identical provision was also contained in a separate law governing the procedure for dismissing people exercising judicial functions. This law permits the early replacement of personnel in public prosecutors' offices, public legal defenders' offices, and misdemeanor courts, but also applies to the presidents of regular courts. The left-wing bloc was also against passing this law, pointing out the danger of undermining the independence of the judicial system and imposing national criteria, and the possibility of party influences. Milan Trbojevic (SDS [Serbian Democratic Party]) proposed dropping this law from the agenda, and urged regular proceedings to be carried out in accordance with the Constitution. At the same time, he said that his explanation was supported by the SDS Deputies' Club, although in the debate some of the deputies from this party supported the government's proposal. The most interesting detail in this debate occurred at the moment when SDP deputy Mirsad Cano informed the Council of Citizens that 28 deputies had signed a proposal to have this issue forwarded for consideration by the Council on Issues of National Equality. This witticism from the opposition was unsuccessful, however, and in the end the law was passed.

The proposed change to the Law on Sarajevo RTV and OSLOBODJENJE, which has aroused considerable public attention in the last few days, also raised temperatures at yesterday's meeting of the Council of Citizens. Before the beginning of the discussion on the proposed law, Council President Abdulah Konjicija informed

those present that two telegrams had been sent to the deputies from the FPN [Department of Political Science] and the Student Federation in support of OSLOBODJENJE and RTV, as well as a telegram from Sarajevo Television refuting the claim by Abdulah Konjicija that the heads of the firm had been invited to the Assembly meeting.

After this, Information Minister Velibor Ostojic explained the reasons for passing the laws, under which the chief leaders of these two news firms would be appointed by the Bosnia-Herzegovina Assembly. "We are being accused of fettering the newspapers," Ostojic said, "but we only want to protect them from editorial policies that are even criticizing our work, just because we have different ideological principles. Here, however, what is involved is a defense of armchairs and positions that have been achieved, and what we are proposing here is actually preventing Mitevic styles. The demonstrations with which we are being threatened are nothing more than an expression of manipulation."

"I would not take part in the discussion if I had not been forced to listen to the statement by Mr. Ostojic," stated Muhamed Filipovic (MBO [Muslim Bosnian Organization]), who added: "Everything that should be said against this law has already been stated by him, in explaining why it should be passed. One of the basic commitments of the liberal party to which I belong is individual freedoms, which are the foundation of all other freedoms in society. OSLOBODJENJE and RTV are public goods whose owner is not known, and it is logical for this Assembly to become the one holding title to this property. From that standpoint, I think that it is good that the law is being changed, but I cannot agree by any means with the other part (that the Assembly should appoint the chief editors), because editorial policy is a professional matter. With respect to professionalism, for instance, I cannot agree that Kemal Kurspahic is a good chief and managing editor, when he let OSLOBODJENJE become Kecmanovic's newspaper."

Irfan Ajanovic (SDA) proposed an amendment seeking to change the name of the law, to have it read "Law on Bosnia-Herzegovina RTV" instead of the present Sarajevo Television. One of the deputies who bitterly opposed the adoption of the law was Goran Popovic (DSS [expansion not given]), who said that it should not be done for several reasons. "We should thank the journalists of Bosnia-Herzegovina for the fact that we currently represent an intellectual free zone in Yugoslavia. RTV and OSLOBODJENJE have succeeded in surmounting their initial difficulties in the struggle for independence, and this Assembly's biggest mistake would be hindering that process." The opposite opinion, however, was expressed by Hadzo Efendic (SDA), who demanded that the law be passed by all means. "The one who provides the funds has a right to more participation in personnel policy as well," Efendic said. Radoslav Dodig (HDZ [Croatian Democratic Community]) and Ahmed Alicic (SDA) had almost the same opinion. "The

opposition opposes every new law because they have fallen through such laws, and so they think that we will too," Alicic said.

"These laws are nothing more than the desire of a small group of people to exert party influence over the media," said Miro Lazovic (SDP). "If the law is passed, it will be the biggest blow to democratic processes in Bosnia-Herzegovina." Lazovic proposed that the adoption of the law be postponed, because it was "more suitable to a totalitarian society than a democratic one."

Rasim Kadic criticized those who used the term "opposition bloc," and said, "We have agreed with the ruling parties on many things." Kadic also said that "No one here is in favor of assessing the quality of individual discussions or of disciplining anyone."

Reproaching and criticizing the government of Bosnia-Herzegovina, Osman Pirija (SRS) said that "if the government prepares laws this way, we will be the victims of a loss of time." Pirija then warned that on this occasion, one could point out a certain confusion of concepts, and said that in specific cases, it was not known precisely what was a public enterprise and what was a state one in these media. It is not even known what the ownership structure in them is like, and how large a share is represented by the capital of the state, the enterprises, or domestic and foreign creditors. He stated his own belief that most of the capital was the property of the employees, and that they therefore had the right to choose their leaderships. Pointing out once more that the true structure of the capital was still unknown, Pirija added that the Assembly's monopoly and right to manage those collectives could not be recognized. He therefore asked the proposer to withdraw this law, "because what has happened to us," Pirija stated, "is that these two news firms are earning more income in the free market than they are taking from the republic budget."

Taking the floor once more, and on this occasion as well met by annoyance from among the ranks of the national parties, Dragan Kalinic called attention to the fact that he had a right to speak, and in connection with this, said that the "opposition would remember the fact that you, in spite of our resistance, included these two laws in the agenda for urgent action." Kalinic further expressed his belief that neither RTV nor OSLOBODJENJE could be both Moslem and Croatian and Serbian and others, and that the civil principle of independence would not be violated.

He added that newspapers would be either free or independent, or else they would not be newspapers, but party bulletins. Kalinic proposed postponing the adoption of this law, holding a discussion of them among the interested parties, and preserving the independence and freedom of journalism and having journalists elect their own leaderships; finally, he also proposed that the Ministry of Information compile an analysis of national representation in the news firms. In conclusion, Kalinic

said that he would join all those attempting to prevent the passage of this law by nonparliamentary methods.

The last participant in this discussion, Miro Lazovic (SDP), informed the Assembly deputies that the deputies from the SDP, SRS, and SSO-DS [Socialist Youth League-Democratic Alliance] did not want to join in the voting on these laws, although they would remain in the hall during the vote, as was done in the end.

After these words, the president of the Council of Citizens, Abdulah Konjicija, asked Lazovic to explain where he saw totalitarianism. Lazovic explained this as follows: "The 240 deputies will decide on something that a smaller group of people will decide on first. We already had that in the system that you call totalitarianism."

Dragica Stojanovic conveyed the SSO-DS's position at the podium; she asked the Assembly not to pass this law. Stojanovic explained young people's demand that this law not be passed by saying that this legal act constituted a repressive measure. "The national parties only agree completely when they pass repressive measures," she said. President Konjicija reacted again, asking for the grounds for the term "repressive measure." Dragica Stojanovic did not want to explain young people's arguments, but on the other hand said, "I did not hear an explanation being requested when others spoke harsh words. And especially in this case, I do not feel that I should give an explanation."

Resuming the work of the Council of Citizens after a one-hour recess for iftar [Ramadan supper], the first to take the floor was Krstan Malesevic (SDP), who said among other things that a democratic public was the first measure of a society's democracy, and within this framework, the mass media were the most powerful level for creating that public. Malesevic further stated that elsewhere in the world, the attitude toward the media was the main measure of the democracy of both society and the authorities. According to him, the parliament cannot be said to be the center of a society's democracy, and he illustrated this with the Serbian parliament's discussion of the media several days before the Belgrade demonstrations.

Malesevic proposed that the laws on RTV and OSLOBODJENJE be returned to regular proceedings, because, he stated, "We have not received a convincing argument as to why the laws have to be passed in urgent proceedings. If the entire public is interested in the media, and it is, then that public must have the opportunity to voice a position on proposals that have to do with these kinds of changes in the media themselves," Malesevic concluded.

"Is it more appropriate for 240 deputies to make personnel decisions, or for those decisions to be made by an informal group in the media?" asked Ahmed Alicic at the start. He criticized the opposition for, as he put it, trying to preserve a system that had failed, if by no other means than exploiting the social option, for instance with the workers from Zenica.

[Box, p 3]

Filipovic-Ostojic Argument

During the discussion on the press, there was a brief, but lively argument between Velibor Ostojic and Muhamed Filipovic (one of the opposition deputies, in any case), who was in favor during the establishment of the agenda of not having the press laws changed in urgent proceedings. Among other things, Ostojic told Filipovic that the intellectual liberalism cited by Filipovic was canceled out by the latter's Marxist provenance. The minister was also surprised by the fact that Filipovic was criticizing OSLOBODJENJE, which had actually given him and his party considerable space. Muhamed Filipovic then took the floor to say that "Sometimes even a minister has to be taught. Whoever knows anything, knows that Marxism as a theory is part of the liberal movement. Minister Ostojic does not know that, or else he ought to go to school."

Protest by Journalists, Students

91BA0520B Sarajevo OSLOBODJENJE
in Serbo-Croatian 27 Mar 91 pp 1, 4

[Article by A. Busuladzic: "Protest at Noon: Together in Front of the Assembly"]

[Text] A blow against the press is a blow against the public. That is, most concisely, the reaction to yesterday's discussion in the Bosnia-Herzegovina Assembly, which was aimed at denying journalists in the republic's public media the right won even under a one-party system to choose their own directors and the chief and managing editors of OSLOBODJENJE and Sarajevo RTV [Radio and Television], according to the criteria of professionalism, career success, and public reputation. Confronted with crude pressures and a total neglect of their democratic rights and demands, the employees of OSLOBODJENJE, at yesterday's gathering, confirmed the decision that precisely at noon today, on the landing in front of the Bosnia-Herzegovina Assembly building, they would protest the authorities' decision limiting their rights and freedoms.

The announcement of this peaceful protest elicited a broad response among the democratic public. Thus, the Trade Union of Bosnia-Herzegovina Printers announced the participation of its members as well in that gathering in solidarity with their colleagues in an inseparable field, the journalists. A protest meeting was also held at the Department of Political Science [FPN] in Sarajevo, and students from several schools expressed a desire to participate in the gathering convened in defense of the freedom of public speech. The Presidency of the Association of Journalists of Bosnia-Herzegovina—the members and organizations of which sent numerous messages of support to their colleagues in the republic media—is calling upon journalists to join this protest, and the dramatic artists of Bosnia-Herzegovina will also be active in defense of the freedom of the press, in their own way; and hundreds of these media's readers, viewers, and

listeners contacted the editorial offices of OSLOBODJENJE and RTV Sarajevo yesterday to express their support and announce that they would participate in today's gathering.

Furthermore, interest in the attempt to limit the freedom of public speech in Bosnia-Herzegovina has also been shown by a large number of accredited journalists from foreign agencies and news media. The night before last, in Belgrade, the editors of OSLOBODJENJE therefore spoke with a group of foreign correspondents, including journalists from Associated Press, BBC, Reuter, AFP, THE WASHINGTON POST, the Soviet NOVOSTI, and the Soviet newspaper NOVOE VREMYA.

Yesterday, in the auditorium of the Sarajevo FPN, a protest rally, organized by the Student Alliance and the Committee for the Defense of Human Rights at that school, was held under the slogan, "Without independent journalism there can be no democracy." In addition to students and professors from the FPN, the rally was also attended by numerous journalists, including Zeljko Vukovic, the president of the Association of Journalists of Bosnia-Herzegovina, Nenad Pejic, the chief and managing editor of Sarajevo TV, and Kemal Kurspahic, the chief and managing editor of OSLOBODJENJE.

"We decisively protest against the intention of the Bosnia-Herzegovina Assembly to legitimize its monopolistic position through direct control of personnel policy in the public news media, and in this way to prevent even the most minimal possibility of establishing the prerequisites for the emergence of a democratic society"—this was stated, among other things, in the announcement sent from this protest meeting to the Bosnia-Herzegovina Assembly and to the Bosnia-Herzegovina public.

Speaking at this meeting, FPN Professor Emil Vlajki asked, "Are our rulers bothered by the fact that the press has portrayed their real faces, their insensitivity and intolerance toward the people? Will the chief editors that they want to appoint from now on portray a happy and satisfied populace, mass support for the leaders, and Potemkin villages...? We have watched that film for the last few decades, and we would not like to repeat it ever again. Instead of our leaders dealing with the accumulated problems of social poverty, they are counting over the journalists in editorial offices by nationality. According to the concept of proportional national representation, which is contrary to all declarations of the civilized world, they want to carry out changes in the top personnel not only in news firms, but also in the judicial system, the police, banks, within universities, and elsewhere.

"National differentiation and counting are a preparation for a possible Greater Croatia, Greater Serbia, or some Pan-Islamic entity on the territory of Bosnia-Herzegovina tomorrow," Dr. Vlajki noted.

Prof. Ina Ovadija-Musafija proposed that in addition to the amendments to the laws on RTV Sarajevo and OSLOBODJENJE, the protest meeting also include a protest against the urgent amendments to the law on appointing those performing judicial functions; the audience welcomed this with applause.

Zeljko Vukovic, the president of the Association of Journalists of Bosnia-Herzegovina, thanked the FPN students and professors on behalf of the Bosnia-Herzegovina journalists for their support for the efforts of the news firms' employees to prevent the Assembly from passing laws giving itself the right, regardless of the will of those employed in radio-television and OSLOBODJENJE, to appoint their directors and chief and managing editors. "If such laws are adopted," Vukovic said, "it will be the end of the freedom of the press in Bosnia-Herzegovina."

"I wish to express my excitement over the fact that it is precisely you, the students, who felt yourselves called upon to voice a protest against laws aimed at imposing personnel changes at OSLOBODJENJE and RTV Sarajevo, because it proves that when we journalists defend the dignity of the profession and the rights of the democratic public, we are truly doing it on behalf of that public, and moreover, on behalf of the best part of it," stated Kemal Kurspahic, the chief and managing editor of OSLOBODJENJE.

Nenad Pejic, the chief and managing editor of Sarajevo Television, emphasized that the journalists of Bosnia-Herzegovina did not want anything but to keep their right to elect their own leaders by secret ballot from among several candidates, and that was a right that journalists in news firms in other republics had yet to win in the next few days. It was won in Bosnia-Herzegovina more than three years ago, but now the new authorities want to abolish it again, which is a step backward.

A telegram was sent from the protest meeting of the Sarajevo FPN students to the president of the Bosnia-Herzegovina Assembly, Momcilo Krajisnik, and to the president of the Council of Citizens, Abdulah Konjicija, appealing to them not to put the controversial changes to the laws on RTV and OSLOBODJENJE on the agenda. The FPN students and professors announced that if these laws were still passed, they would join the journalists' protest being organized today, in this case in front of the Bosnia-Herzegovina Assembly.

CZECHOSLOVAKIA

Military Police Unit Formed; 1,114 Men Strong

AU2204102091 Prague LIDOVE NOVINY in Czech
18 Apr 91 p 3

[Unattributed article: "Press Conference of the Federal Ministry of Defense; Military Police"]

[Text] By order of the minister of defense, a military police force was established in the Czechoslovak Army. As of 26 April, it should be in full operation. "A military policeman can only serve one cause, and that is the law," Colonel Miloslav Cech, press spokesman of the military police, said at yesterday's press conference of the Federal Ministry of Defense.

The military police consists of three components—the security police that fulfill tasks of an investigative nature, the disciplinary police, and the traffic police that will replace the former tank and automobile inspection unit (TAI). The staff of the military police will total 1,114 men. They will all be professional soldiers and must pass a selection process. The military police are subordinated to the Army Chief of Staff, and their task is the protection of property of the Czechoslovak Army and the security of soldiers. It can enter into contracts on cooperation with the civilian police and Interior Ministries. An approximately 20-member special taskforce will also operate within the framework of the military police.

POLAND

General Dubynin on Soviet Troops in Poland

91EP0423A Warsaw POLITYKA in Polish No 15,
13 Apr 91 pp 1, 3

[Interview with Colonel General Viktor Dubynin, commander of the Northern Group of the Soviet Armed Forces, plenipotentiary of the USSR for Soviet troops stationed in Poland, by Witold Pawlowski; place and date not given: "Bugging Out Is My Specialty"]

[Text] Local residents call this extensive part of Legnica "Kwadrat" [The Square]. Behind a tall concrete wall bearing signs in Russian and Polish, "Boundary Checkpoint," is located the command of the Northern Group of Soviet Armed Forces. On passing through the first checkpoint at Kosciuszko Street I enter a veritable city within a city. The street signs are in Polish, which is slightly perplexing: neglected extensive areas built up with family houses, an amusement park with slides for children, murals depicting the wolf and the hare, tennis courts. Another checkpoint in front of the staff headquarters, a white building several stories tall with profiles of the "Fathers of Communism" on its facade and a large statue of Lenin. Yet another checkpoint at the entrance, and then I climb the stairs to the second floor, to a large waiting room with a huge map of Europe and

a bank of telephones, whence I enter the still roomier office of Gen. Dubynin. The general is broadshouldered and of athletic build. His uniform is loosened.

[Pawlowski] When old married couples divorce it usually is a difficult and unpleasant process. Particularly if one partner dominates the other and imposes his will on him, but now the other partner says, "I don't want you." General, sir, can we part in a civilized manner?

[Dubynin] If mismatched spouses divorce, they divide their property. Sometimes they remain friends, but as a rule they do not. We would like to part as friends; and in the future to keep broadly cooperating, in economy and culture, to create the common great family of European nations. Above all, I believe, there is nothing that could divide us, and so our relations should not be spoiled.

[Pawlowski] That is good. Why then prolong the divorce formalities? There is the idea of appointing a farewell committee that would bid the Soviet Army farewell in a dignified manner, with flowers. Would this expedite matters?

[Dubynin] We appreciate this idea. I must say that the Polish public is not opposed to us; at most only three percent perhaps is against the Northern Troops Group. All others feel grateful to us, for liberating Polish territories together with the Polish Army, and subsequently for 45 years of peace. I would like peace and happiness to reign in Poland for many centuries.

[Pawlowski] But two months ago you wrote that you would leave Poland with banners flying and heads raised, and only when you yourself would decide the time to be right. To whom was that article addressed? To the Polish authorities? To Moscow? Or to your own troops, uncertain of the future as they may feel?

[Dubynin] That declaration was made during the talks in Moscow on 10 February. That was my reaction to certain unfavorable comments during negotiations with the Polish side. The Polish delegation had offered absolutely unacceptable terms. It demanded that our troops leave Poland without arms, without equipment, under the supervision of the police and the [Polish] Army. In other words, they wanted to deport us as if we were international criminals. This had prompted my protest.

[Pawlowski] And you still hold to your words?

[Dubynin] At the Military Council, after long deliberations, we concluded that my declaration should be published in your local newspaper. It was at once disseminated by the mass media which gave it unprecedented publicity. Let me say openly that our officers and soldiers were gratified by this declaration, gratified that someone was defending them, that they would not leave in sealed train cars. The declaration stated that if Poland sets unacceptable terms, Soviet troops will leave it with banners flying, with the feeling of having done their internationalist duty, and proud of having liberated Poland, having defeated Germany.

[Pawlowski] Did you realize that such language would cause unequivocally adverse publicity in Poland? Consider also the passage in which you declared that Soviet troops were occupying "post-German property" and living on "post-German" land.

[Dubynin] My point was not to emphasize that these are German facilities. Yes, I once, in passing, mentioned that our troops are located on former German territory, that is, in the western part of the Polish Republic. The facilities we occupy used to be German facilities. We understand the sense of the Potsdam Agreements, we understand that this territory is ethnically Polish and that it should remain Polish, that Silesia and Pomerania should remain joined to Poland. And this issue would never have been raised had not it been for the demand of the Polish side that these facilities be now overhauled. That would take a lot of money. These facilities had been built late last century or early this century and indeed require renovating. But in 1945 when we first took them over, they had already been destroyed. We renovated them and installed heating and water mains, and now, after nearly half a century, are we supposed to renovate all this again? Moreover, the Soviet Army is called an occupying army and accused of causing unbearable living conditions for the Polish society. The Soviet Army has liberated your country and caused its territory to be enlarged by nearly one-fourth. This should be taken into consideration.

[Pawlowski] This historical reckoning is much more complicated, also as regards Poland's territory. Accord on assessments of history would be difficult. That is why we should get rid of the burden of history and discuss the present. This is exactly the tone adopted by your colleagues in Prague and Budapest when they say, "That Europe is in the past. The times have changed, and proper conclusions should be drawn from it." In those countries agreements for the withdrawal of your troops were reached smoothly. Why is it that only Poles always seem to have problems in this respect?

[Dubynin] The stationing of our troops in Hungary or Czechoslovakia cannot be compared with their stationing in Poland. Our government has acknowledged the entry of our troops to those countries, in 1956 and in 1968, to be a mistake. And since that was a mistake, apology and satisfaction are due. But as for Poland, we did not come here in order to suppress a rebellion.

[Pawlowski] You had come together with the new Polish government, brought on your tanks. But that again is a dispute over history. That is now all in the past.

[Dubynin] Let me tell you in this connection that we welcome the changes that have taken place in this part of Europe. We do not intend to do anything that would cause the old systems to return. We value all the democratic changes taking place in Poland and, while we live on its territory, in no way whatsoever do we interfere in your domestic issues. We respect your sovereignty and

are obligated to respect fully the laws of the countries on whose territories we are stationed.

[Pawlowski] No one likes foreign troops to be stationed in one's country. No one likes American bases. At least, the Americans pay well; you do not. We have no idea about your armaments, and in general we know very little about you.

[Dubynin] Our doors are open; we have no secrets, especially not before the mass media. We are ready to cooperate with them and share with them our accomplishments and plans, especially as regards good-neighbor relations with the local inhabitants.

[Pawlowski] Television and the press point to many instances of demolished facilities which you are leaving us upon your departure: dismantled windowframes and water conduits, etc.

[Dubynin] We use more than 6,000 facilities, including broken-down ones or those in unsatisfactory condition, which total not more than 200. For example, does this room leave something to be desired? Usually there is a lot of [war-] destroyed housing in the cities. We plan repairs and renovations, and when we leave we would like to be told that we leave them in good condition. Consider for example the facilities we had transferred to Poles in Swidnica. None of the authorities in Swidnica, including its mayor, had any complaints about their condition. We are now reviewing the condition of our facilities in Szczecin, and it also seems good.

[Pawlowski] The mass media report the situation to be less idyllic. Since you have nothing to hide, why did not you allow inspections by the Polish authorities? Are not such inspections the right of a sovereign country?

[Dubynin] We also have no secrets as regards our armaments. On Polish territory are stationed about 50,000 Soviet troops. If we include their families and auxiliary personnel, the total is 90,000. Our armaments include 20 ballistic missile launchers, and when we depart we shall show them to reporters. We have 100 tanks, about 800 infantry combat vehicles and armored personnel carriers, 400 artillery pieces, 200 aircraft, and 170 helicopters.

[Pawlowski] What about nuclear and chemical weapons?

[Dubynin] We maintain no nuclear or chemical weapons in Poland. We used to keep nuclear weapons here, but we moved them out, and as for chemical weapons we never kept any and, I believe, never will. And as for the inspections you mentioned, that was to determine whether we have chemical weapons or the components for their production. Let me tell you that this is a sensitive issue. Talks on inspections of this kind are still continuing in Geneva. Last year the USSR reached an agreement with Poland that, if a provision is made for such inspections, they shall be done under Polish supervision.

Our premise was that, since we keep no such weapons here, there is no need for an inspection. But the Polish side demanded it. We were surprised by this lack of trust in us, particularly considering that the Polish General Staff is perfectly familiar with what armaments we have at our disposal. Thus, of course, we refused, and asked that talks on this subject be held at the ministry level rather than at the level of military commanders. And since the Polish side kept insisting, we agreed to an inspection on 26 April. Let them go ahead and inspect. We guarantee that we have not and had not kept any chemical arms here. After the inspection is over, at the month's end, we shall present a joint Polish-Soviet declaration on this matter.

The Polish side expects the Soviet troops to withdraw by the end of 1991, but your latest proposal mentions the end of 1993. What do you think, which deadline will be negotiated by both sides, nearer to which date?

[Dubynin] During the talks in Moscow the Soviet side presented a timetable for the withdrawal of our troops. We reckoned that we would need three years for this purpose. In Poland we have few troops but extensive bases, storage facilities and stocks of equipment, much more than in Hungary and Czechoslovakia. All this has to be safely transported out of the country. On the request of the Polish government, missile troops, aircraft, and tanks will be the first to leave Poland. We shall begin officially withdrawing troops from Poland with a Guards brigade of missile troops. Besides, we have already earlier withdrawn some troops, such as assault troops and aircraft reconnaissance personnel. Without waiting for the final figures to be arrived at in official talks, we are beginning to implement our own timetable, in accordance with the declaration made by General Moiseyev at a meeting with Minister Skubiszewski that we shall begin to withdraw troops as soon as this coming April and May.

[Pawlowski] In your opinion, shall we after the divorce live normally, maintain neighborly relations? What does [Polish-Soviet] brotherhood of arms mean nowadays?

[Dubynin] I believe that the brotherhood of arms will remain. In the end, your military equipment and arms derive chiefly from the USSR. A rapid change of armaments would require substantial financial outlays, and besides I do not think it necessary. Talks on good-neighbor relations, friendship, should be completed rapidly, so that we may really remain friends. As the saying goes, we live on the same earth.

[Pawlowski] What will the new European security system be like? Do you think that your former allies from this part of Europe will, like the former GDR, sooner or later join NATO?

[Dubynin] I would not know about the progress of any such talks at the governmental level; in the press, including the Polish press, one can find opinions that the countries of Central Europe should join NATO. But since the Warsaw Pact and the entire bloc of socialist

countries have been liquidated, why retain NATO? We should limit armaments, on retaining only the means serving to maintain order, for example, in the police.

[Pawlowski] Will such a system guarantee security?

[Dubynin] We are disarming, reducing the number of our divisions, dismantling our equipment, aircraft. The West has not slashed its forces by even one soldier, one piece of equipment. This is worrisome.

[Pawlowski] We read in the Soviet press that the border threat has now shifted to the Bug River.

[Dubynin] If Poland joins NATO and the armies of that bloc become stationed here, we shall have no alternative but to fortify our border on the Bug. Anybody else would do so, too.

[Pawlowski] You certainly visit your country often in thought. How do you view the role of the Armed Forces in the changes taking place in the USSR?

[Dubynin] As you know, there is an ongoing perestroika in my country....

[Pawlowski] Some people say that the perestroika is over now and the old times are returning.

[Dubynin] The people who say so are clearly interested in saying so. The perestroika has affected the Armed Forces too. It is not progressing smoothly and there are many problems, chiefly economic ones, and also the relations among nationalities require a great deal of concern. But the most important thing is that in the referendum 73 percent of citizens declared, "Yes, the USSR should endure."

[Pawlowski] But six republics boycotted the referendum and are saying no.

[Dubynin] Let them go then. These republics are not that important to us, although I expect that they will remain in the USSR. What matters most is that Russia, the Ukraine, Belorussia, and Kazakhstan have declared themselves in favor of keeping the Union, on new principles. If the Union is retained, the Army, the Armed Forces, shall be retained too. We support one common union and one common army. We are resolutely against distributing nuclear weapons. Should they get into the hands of extremists, that would threaten not just the USSR but the entire world.

[Pawlowski] What is Mikhail Gorbachev's role in these changes?

[Dubynin] He is working strenuously to keep all the republics together, to keep the common Armed Forces together. And he is trying to pursue domestic policies so as to cope with economic problems, to improve the situation of our citizens, to add to pleasant moments in our lives.

[Pawlowski] What about Boris Yeltsin?

[Dubynin] He is not quite pursuing the right policy. He wants to create an army of [Russia's] own, which is not pertinent. Secondly, he wants to abolish our Union government and the Supreme Soviet. Yeltsin is calling for political strikes, awakening destructive forces in the society. He supports the liquidation of our system of society and a change in leadership. In the present difficult times a quarrel of ambitions between Yeltsin and Gorbachev is unnecessary. They should work together.

[Pawlowski] Your views and sympathies are unequivocal.

[Dubynin] Yes, unequivocal.

[Pawlowski] The Americans have their Vietnam syndrome—many films and books on this subject have appeared. How strong is the Afghanistan syndrome in the Soviet Army? I am referring to demoralization within the military, the growth of crime. The war veterans can live only dangerously, which means that they do not know how to live normally.

[Dubynin] That is the American syndrome, not ours.

[Pawlowski] You were in Afghanistan, were not you?

[Dubynin] Yes, during 1984-87. I commanded the limited contingent of Soviet troops. I also used to be the plenipotentiary of the USSR Government for the stationing of Soviet troops in Afghanistan. I moved six regiments out of Afghanistan. Afterward General Gromov came and finished up after me.

[Pawlowski] In other words, you became a specialist for moving troops out.

[Dubynin] You could say so. Some 500 to 700 officers and noncommissioned officers who had experienced Afghanistan are now serving in the Northern Troops Group. I really have not perceived them to be psychologically damaged. On the contrary, Afghanistan has refined in them the feelings of friendship and shared community of interests. They had personally witnessed death. They are experienced in using modern weapons, and we utilize their experience in our combat training. I believe that these young boys, the Afghans as they are nicknamed, are the mortar of our society and support peace and common consensus. Only isolated individuals among those who had been in Afghanistan have gone over to the side of extremists and nationalists; such instances have taken place in Georgia and Armenia and Azerbeidzhan, but they are few.

[Pawlowski] Even if the Afghanistan syndrome is fiction, a certain decay can be clearly perceived among the Soviet troops stationed in our countries, particularly in the former GDR—the trading, the escapes, the requests for asylum.

[Dubynin] People are like the forest, some trees are good and others rotten. In our Army, too, there are rotten trees, but they number at most only dozens. Instead of getting rid of them we are trying to educate them.

[Pawlowski] Morale among your officers is hardly the highest. Many simply have no place to return to.

[Dubynin] The reasons are more complex. This is not just a question of housing for those returning from Poland, although that, too, is a major issue. That is one of the reasons why we should like to postpone the total withdrawal of our troops until the end of 1993, in order to retain in Poland a small group of officers. Here we have housing for them, whereas in the USSR we are short of housing for 200,000 military personnel. The Western Troops Group is currently leaving Germany; for 50,000 there is no housing in the Soviet Union.

[Pawlowski] That must be a major political force, those 200,000 homeless soldiers.

[Dubynin] In the Armed Forces there is no room for politics, and the housing problem shall be resolved within two or three years.

[Pawlowski] The invincible American Army had Vietnam, the invincible Soviet Army had Afghanistan, and now we have the lightning war in the Middle East in which Soviet military equipment and doctrine turned out to be quite ineffective, outdated, as it were, in Iraqi hands.

[Dubynin] The equipment of Saddam's Army was partly, not wholly, ours. It also included French, British, Polish, and Chinese, and even American equipment. And as for its military doctrine, it could not have been ours, because ours is not an aggressor's doctrine, whereas Saddam grabbed Kuwait. That is why the Iraqi weapons used in this war are not of too high a class and can in no way point to our weakness.

[Pawlowski] This means that you do not have the Gen. Norman Schwarzkopf complex.

[Dubynin] No, just as we do not have any Scud missile complex. Besides, we are not equipped with Scuds any longer, while Iraq has, with the help of German experts, altered their parameters only to make them worse. Instead, we have anti[ballistic] missiles that are much better than the Patriots. They can destroy not only Scuds but other ballistic missiles.

[Pawlowski] If you were in Gen. Schwarzkopf's shoes, how would you conduct the Kuwait operation? Differently?

[Dubynin] First of all, I would stick closely to the United Nations resolution, that is, engage in combat only on Kuwaiti territory. And I would liberate that territory. How? That is already a technical problem. Why was the civilian population also attacked? Hussein survived, but hundreds of thousands of innocent people have died. The international community again closed its eyes. To the Americans everything is permitted. They occupied Panama, and nobody protested. Did any one demand a trial for them when they dropped the bomb on Hiroshima?

[Pawlowski] You are 48 years old and already so high up on the ladder. Tell us about your career.

[Pawlowski] It has not been as rapid as that. During the war some generals had barely reached the age of 30. I come from behind the Urals. I completed two military academies, incidentally along with many Polish officers. I served in the Ukraine, in the Far East, in Kazakhstan, and in Belorussia. When I was asked to serve in Afghanistan I viewed it as my soldierly duty to carry out any order. After Afghanistan I was commander of the Belorussian Military District. Next I served on the staff of the Kiev Military District. Two years ago I came to Poland, and it has fallen to my lot to move troops out of Poland.

[Pawlowski] Afterward, will you want to return to this country as, say, a tourist. To see what is new?

[Dubynin] Of course, if only I am invited. I have no inimical feelings against the Polish public; sure, I may have had some against the Polish authorities, but none against Poland. And, I swear, I have no imperialist motives.

[Pawlowski] Thank you for the conversation.

Impact of Economic Transformation on Military

91EP0393A Warsaw POLSKA ZBROJNA in Polish
6 Mar 91 p 3

[Interview with Col. Leszek Kubiak, deputy chief of administration, General Staff, by Lt. Col. Andrzej Medykowski; place and date not given: "The Armed Forces in a Market Economy"]

[Text] [Medykowski] A lot of information about the Armed Forces has been appearing, especially in recent months. Usually, however, it is generalized information about certain domains of military activity, whereas something more should be communicated about many of them.

[Kubiak] I don't doubt that. The more so considering that we are living in times when a new model of Armed Forces adapted to present-day conditions, both geopolitical and economic ones, in this country is being created. I refer chiefly to the changes in the operation of the national economy and the attendant changes in the operation of the Armed Forces. The transition to a market economy is an arduous process not just to each of us as consumers, or to enterprises, but also to the military.

[Medykowski] The changes in this country are affecting the course of economic processes in the military. At the same time, in every country, the military is a distinctly autonomous element. To what extent have these changes by now reached the military?

[Kubiak] Along with the abandonment of the command-allocation system in the economy, the central socioeconomic planning system also has been scrapped. Rigid

quantitative plans have been replaced with indirect (parametric) methods of guiding current economic policy by means of such economic instruments as prices, currency rates of exchange, taxes, interest rates, etc.

It is expected that in the longer run programs for developing discrete domains of socioeconomic activity will begin to operate, and this should also encompass the domain of national defense.

The introduction of market mechanisms and institutions has directly affected the economic aspects of the activities of our Armed Forces, including also military planning and supply as well as the economic aspects of national defense.

Operating procedures and rules that had been consolidated over many years are now changing together with the entire economy. In this connection, the military economic system, too, and especially the material and financial planning system, the military supply system, and the system for gearing the economy to national defense all are radically changing.

[Medykowski] What are the scope and extent of changes in the military economic system?

[Kubiak] Outlays on national defense are now no longer coordinated with the Central Planning Office. The basic premises of the economic policy of the military and the financial outlays for the next year are worked out by the General Staff of the Polish Armed Forces in cooperation with the Department of Finance and other central agencies of the Ministry of National Defense. They are worked out on the basis of the assumptions of the state's economic policy, the decisions of the heads of the Ministry of National Defense, and substantive input from the officers in the concerned branches of the Armed Services.

On the basis of such conceptual work the chief of the General Staff of the Polish Armed Forces issues during the first quarter of each year guidelines for drafting economic plans for the next year, along with ceilings on financial outlays. These provide the basis for working out the quantitative plan and draft budget of the Ministry of National Defense.

The process of planning supplies for the Armed Forces is based on the available funds specified in the economic planning directives of the chief of the General Staff of the Polish Armed Forces and in the draft budget of the Ministry of National Defense. Quantitative plans are implemented on the basis of contracts concluded directly with suppliers (producers) of armaments, equipment, and material resources.

[Medykowski] That is all about planning. How are these changes reflected in actual economic practice?

[Kubiak] The new economic conditions make it possible to conclude delivery contracts with various suppliers by selecting optimal purchase terms (competitive bidding, stock markets, etc.). The first attempts to select suppliers

of special equipment, e.g., communications equipment, storage batteries, and quartermaster or general-purpose equipment, have already been made. This is favored by the growth of the demand barrier, which results in that the military are becoming a sought-after customer owing to the stability of their purchase orders, their reliability, and their tendency to order in large quantities.

We are speaking chiefly of domestic suppliers, but the abandonment of intergovernmental [Warsaw Pact] annual agreements, and especially the conversion to settlements of accounts in dollars and world prices, means that foreign suppliers will be eligible to bid also.

The new economic situation of national defense may also result in the rise of other forms of meeting the material needs of the military, such as leasing or purchases on the installment plan.

[Medykowski] The marketization of the economy also means decentralization of economic decisionmaking powers. Will this economic law also apply to the military?

[Kubiak] In a nutshell, yes. Let me illustrate this by the decentralization of financial decisionmaking. Since last year, under modified regulations governing the classification of the budget expenditures of the Ministry of National Defense, the coordinating role of the heads of the functional departments of the military (quartermaster in chief, chief technology inspector) has been expanded and they have been endowed with the right to reshuffle budget line items concerning their subordinate supply agencies. Formerly such powers belonged exclusively to the minister of national defense. In addition, it is worth noting that, as part of the adaptive process, in order to assure an operative monitoring of the budget outlays of the Ministry of National Defense, the Operational Budget Taskforce was formed early last year. Headed by the first deputy chief of the General Staff, this taskforce handles the ongoing allocation of budget funds to central supply agencies and commanders of military districts and armed services, as well as to the Grouping of Rear Echelon Units at the Ministry of National Defense. This task force regularly assesses the manner in which budget funds are spent at the ministry, defines the procedures and guidelines for funding needed outlays, and adjusts as needed the allocation of funds.

Similar taskforces have been set up in military districts and armed services. Thus a new and more flexible operating procedure for handling outlays has been developed, and this has enhanced the role of financial planning in the military.

[Medykowski] However, economic processes occur at various levels. In the past, and probably fairly often even now, the heads of purchasing sections have been feeling powerless because a substantial part of the supplies they receive is in material rather than financial form, and there exist specified ceilings on purchases so that the room for maneuver is limited if any, even when such maneuvering is clearly needed.

[Kubiak] The possibilities for maneuvering budget funds by the heads of purchasing sections have been nugatory in the past. But now the situation is changing, as these heads have been granted far-reaching autonomy with respect to, for example, current expenditures on personnel and on the upkeep of facilities and equipment. This should assure an improved implementation of tasks, particularly as regards the maintenance of an appropriate level of combat readiness and troop training.

On the other hand, expenditures on salaries (and related outlays), food, and fuels and lubricants remain centralized. That is a problem which, for obvious reasons, will persist.

Mention should also be made of the augmented powers of commanders at the intermediate and basic levels as regards the hiring and salaries of civilian employees. The new solutions radically enhance the autonomy of commanders but at the same time also add to their responsibility for an efficient management of employment and of the wage funds. Such a system clearly prompts limiting employment in favor of increased salaries.

[Medykowski] Practically every soldier has encountered instances of so-called economic activities on the side within his unit or a military institution. This often elicits doubts in military personnel in conversations among themselves, and not only among themselves. The prevailing opinion is that it is not the purpose of the military to engage in business activities such as crop cultivation, livestock raising, or even housing construction. The times when this had been necessary owing to market scarcities are now in the past. But have not the related habits, along with the attendant way of thinking and activities, survived?

[Kubiak] Economic activities on the side are still continuing. But now the principal criterion is profitability. Just as obviously, engaging in such activities should not impair the defense potential and training activities of military units. This is the fundamental prerequisite.

It is worth noting, however, that the growth of economic activities on the side is linked to two other factors, namely, the limited budget of the Ministry of National Defense and the need to raise the level of the efficient utilization of the manufacturing and service capacities operated by the military themselves. Of a certainty, that also is a form of adapting the military economy to market conditions. Another factor is the utilization of temporarily dormant real estate administered by the military.

It is possible to lease such real estate for periods of up to 10 years (as garages, equipped workshops, and otherwise useful premises) as well as to rent out on an irregular basis, in return for payment, sports, cultural, educational, recreational, hotel, and other facilities.

In addition, extra funds could be derived from leasing for up to five years facilities that are temporarily not in use by the military (of course, this does not apply to combat equipment).

[Medykowski] In the past decades much attention has been paid to problems of efficient management, although this engendered a bureaucracy of its own, admittedly in the military too. Even so, however, wastefulness could not be prevented, because it was inherent in the old system. Well, now, the old system is gone but it has left some legacies. The question now is which way are the scales tipped? In the direction of greater efficiency or greater waste?

[Kubiak] The introduction of institutional solutions based on market mechanisms, and especially enhancing the role of the budget and applying current prices along with civil law agreements, has resulted in causing the traditional guidelines for economic efficiency in the military to be no longer topical. But this does not mean that the concept itself of efficient management and its implications has become outworn. From the very nature of the military ensues the aspiration, under any circumstances and at any time, to maximize effects in the presence of specific, and usually limited, quantities of material, financial, and human resources, or, in other words, to reduce to a minimum the expenditures on accomplishing specific objectives.

At present, in the conditions of a market economy—and strict budget limitations affecting not just the military—rational management of financial, material, and human resources in the Armed Forces acquires fundamental importance in every respect. The traditional methods for streamlining efficiency are being replaced with economic and financial instruments.

But this does not mean that, despite the rescinding of the applicable regulations in this matter, the problem of rational management will disappear by itself. Such management is necessitated by practice rather than by some regulations. It is a real necessity rather than, say, a reflection of a political attitude. The related aspects of troop education should be retained, because, after all, we in the military are husbanding resources transmitted to us by the society, and for this reason there can be no mention of any wastefulness.

[Medykowski] But wastefulness is not just mismanagement. Sometimes it simply means the use of obsolete facilities, such as a central heating facility from which heat is leaking, a motor vehicle which guzzles gas, or an inaccurate weapon forfeits its purpose and causes measurable and nonmeasurable losses. Do there exist at present any regulations, guidelines, or provisions requiring greater efficiency of operation and promoting or forcing the discarding of unnecessary or operationally costly equipment and facilities?

[Kubiak] The powers of the heads of functional departments and central supply agencies regarding the sales of military equipment have been expanded. To a broad

extent they now may sell such equipment through auctions and on the stock markets. After deducting the cost of sale or liquidation, 80 percent of the income thus derived is set aside for the acquisition of new equipment, and 20 percent transmitted to the State Budget.

[Medykowski] The definitive abandonment of central planning still does not mean that all forms of programming of operations will be abandoned. That would simply make no sense in the domain of national defense. After all, the level of national defense, inclusive of the combat preparedness of the military, cannot be made contingent on elemental market forces.

[Kubiak] Despite the abandonment of five-year and annual quantitative economic plans (with the exception of fiscal planning), a system of progressive quantitative long-range plans implemented through the mediation of yearly budgets should be retained in the military.

Both the state administration and the Sejm should accept arms programs (for the acquisition of new domestically built and imported equipment) in the form of a resolution of the Council of Ministers or a Sejm law. These legal acts should provide the financial safeguards for the Ministry of National Defense in its conclusion of long-range contracts for R&D and application work and implementation of deliveries of arms and military equipment.

The Ministry of National Defense has started to take steps to adapt the military economy to market conditions. In addition, conceptual work has been initiated on longrange solutions relating to the material planning and economic activities of the Armed Forces. The economic education of, mainly, command and administrative personnel has also been intensified.

The work initiated will be developed with special allowance for elaborating a new conceptual model of the Armed Forces and the continued changes occurring in the national economy.

[Medykowski] Thank you for the interview.

Composition of Restructuring Delineated

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18 Feb 91 pp 1, 4

[Article by Lieutenant Colonel Tadeusz Mitek: "Staff Officers Have the Floor"]

[Text] We are embarking on building a defense structure of a new type for the state and the Army itself, which abandons solutions dating back to World War II, as well as coalition tasks, and is adapted to changing geopolitical arrays in Europe.

We are building a new model for the Armed Forces adapted to the current defense needs of the state. What does this actually mean? What is the practical manifestation of the restructuring of our Armed Forces? How substantiated is it from a staff and planning point of

view? What necessitates it, what is it due to? What is the explanation for changes in the order of battle and organizational structure of the Polish Armed Forces?

Answers to these questions are not secret, and yet public opinion is only aware of their sketchy version. Voices are also heard to the effect that a reform of the Armed Forces is, as a matter of fact, a sham, or that it boils down to cuts only, or that our staff officers are still stuck in the old rut of thinking in keeping with the coalition rules of the Warsaw Treaty. Therefore, let us give the floor to the staff officers. How do professionals, people who are responsible in the line of duty for transforming the Army and implementing a long-range model of the Armed Forces of the Polish Republic, substantiate their decisions and interpret plans?

In a word, let us refer to the most competent sources. Undoubtedly, we should consider First Deputy Chief of the General Staff of the Polish Armed Forces Gen. Div. Franciszek Puchala who provided information to the journalists to be such a source. We publish the data below and outline the reorganization measures planned on the basis of this information.

A Treaty on the Offensive

Therefore, staff officers explain to us that until very recently, that is, 1988, the organizational structure, the system of command and control of the Armed Forces, and their materiel and logistical systems, were subordinated to a strategic concept which called for shifting hostilities to the territory of the enemy. This resulted from implementing the political and military assumptions of the Warsaw Treaty.

This caused specific consequences in the organization of the troops in the form of dividing the Armed Forces into the troops of the external front and the troops defending the territory of the country. In turn, within the system of command and control of the Armed Forces, this caused a considerable expansion of the MON [Ministry of National Defense] Headquarters Offices and operational staffs, dictated by the need to divide them into two parts—for peacetime and for the period of war.

The existence of four arms was another consequence for the organization of the Armed Forces: the ground troops (in which the preference was given to armor divisions), the Air Force (as a separate arm intended, in principle, to operate outside the territory of the country), the Air Defense Troops (remaining in the territory of the country), and the Navy (intended to operate in the waters of the Baltic Sea within the operational sphere assigned to it).

This is how other professional explanations sound. In the logistics system, this meant the need for considerable independence of the external front troops, and called for the organization of mobile logistical units and equipment of considerable size and potential. Therefore, it

was necessary to maintain the needed number of railway, road repair, and bridge crossing troops.

Means of combat of a typically offensive character dominated in the materiel of the troops, mainly tanks, fighter-bomber aircraft, and artillery of calibers above 100 mm. The deployment of troops was dominated by the concentration of the ground troops in the western part of the country, and of the Air Force in the north-western part of the country.

Here are more numbers which express the organizational and strategic concept of the Armed Forces outlined here. Thus, in the years 1986 through 1988, the strength of the Armed Forces amounted to about 412,000 men at peacetime strength levels; their armament was as follows: 3,700 tanks, 5,700 armored personnel carriers (including 2,930 combat carriers), 4,100 artillery rocket launchers, guns, and mortars of calibers above 100 mm, more than 1,000 combat and combat-training planes, and 280 vessels of the Navy (including 130 combat vessels).

Disbanded and...Formed

They began to abandon the concept of the Armed Forces described above toward the end of 1988, specifically since November, when they embarked on the implementation of a program called restructuring, pursuant to a decision of the Committee for the Defense of the Country.

As is known, this word has a bad reputation in the military community. It is difficult for a journalist who observed the often painful consequences, especially for the people, to justify and defend restructuring, which on many occasions was manifested by means of conventional, blind cuts. Therefore, we will let a staff study speak for itself.

The characteristic feature of the program, says the study, was that organizational changes were combined with simultaneous reductions of the troops which were not crucial for the combat value of the Armed Forces, such as OTK [National Territorial Defense] units, construction, railway, road repair, bridge crossing units, and so on. With regard to basic armament, the cuts affected in particular the categories which were later the subject of talks in Vienna on reducing conventional armed forces, i.e., tanks, combat aircraft, infantry combat vehicles, artillery of 100 mm caliber and higher.

Let us now outline specific changes which have been made until now by way of implementing this idea of restructuring. First of all, the Main Political Directorate of the Polish Armed Forces has disappeared from among the MON Headquarters Offices, and a department and the entire element of education which has 50 percent fewer staff were created. Former line officers account for 80 percent of its staff, 50 percent of the staff positions are reserved for civilians. The participation of military ministration in the process of educating soldiers, which was crowned with the establishment by John Paul II of the Office of Field Ordinary in Poland headed by a field bishop, has been expanded.

The following were subsequently disbanded:

- The Civil Defense and Internal Defense Forces Inspectorate, and correspondingly a smaller civil defense staff for the country was created.
- The WSW [Internal Military Service], and a department of intelligence and counterintelligence and the Military Police were created.
- The Office of the Chief of Naval Materiel; its functions were transferred to the logistics organs of the Navy.

A reduction of 50 percent of staff positions over four years was planned and has begun in the MON Headquarters Offices, headquarters of military districts, and the armed services.

As far as the ground troops are concerned, the organizational structure of tactical units has been standardized. Unified mechanized divisions have been created instead of armored and mechanized divisions. A new category of tactical units in peacetime, material-technical bases, has been introduced. With a view to creating the Little Poland Military District, the creation of mechanized regiments reinforcing the eastern frontier has begun.

Subsequently, the previously separate services of the Armed Forces—the Air Force and troops of air defense of the country—were merged under the same service, the Air Force and Air Defense Troops. A division of fighter aircraft has been reformed into separate regiments. Finally, the Academy of the General Staff of the Polish Armed Forces and the Military Political Academy were disbanded, and the Academy of National Defense was created. Many of the higher officer schools were also integrated.

As a result of the plans carried out, according to the staff data, the peacetime strength of the Armed Forces declined by more than 100,000. About 850 tanks, more than 900 armored carriers, more than 280 combat aircraft, and more than 1,000 guns for indirect fire [as published] were taken out of service. As of the end of 1990, the peacetime strength of the Armed Forces amounted to 305,000 men.

The qualitative and quantitative changes made in the organization of the Polish Armed Forces brought about changes in indicators comparable to those of other countries. Here are some of them:

—The ratio, in percent, of the strength of the Armed Forces in the 1980's (the 1990's in parentheses) to the population: Poland, 1.08 (0.76); Czechoslovakia, 1.3 (1.2); the FRG, 0.8 (0.7); France, 0.8 (0.7); and the Netherlands, 0.7 (0.7). Perhaps, let us also note the percentage ratios of professionals which at present are as follows: Poland, 33 percent; Czechoslovakia, 35 percent; the FRG, 52 percent; France, 54 percent; and the Netherlands, 53 percent.

Under the provisions of the Vienna treaty, we may have the following materiel in our Armed Forces in the 1990's: 1,730 tanks, 2,150 armored carriers (including

1,700 infantry combat vehicles), 1,610 artillery pieces of calibers above 100 mm, 460 combat aircraft, 30 combat aircraft of the Navy (in addition), 130 assault helicopters (support helicopters—no restrictions, reconnaissance and patrol aircraft of the Navy—no restrictions).

A 50-percent share of professional servicemen in the Army has been projected for these years. The ratio of the strength of the MON Headquarters Offices to the strength of the Armed Forces will drop from 0.8 to 0.6.

Let us also add, based on what the specialists say, that the degree of TOE [Tables of Organization and Equipment] strength of the troops in peacetime will be differentiated. Rapid-response forces and border guard units will be the closest to full strength. The lowest degree of strength will occur in the formations of regional defense and logistics units which will replace quartermasters and technical units of various types.

Let us add a couple of words about the status of armament to these numbers and indicators. Let us perhaps omit the overly professional remarks regarding exceeding (or not exceeding) the so-called resources in the criteria of modernity of combat materiel. Let us say instead that the current status of armament is the result of systematic reductions in the delivery of new materiel for a couple of years. In the process, the year 1989 was the most unfavorable. At the time, a 10-percent reduction in the budget caused a 39-percent decline in materiel procurement. The year 1990 was not much better from this point of view.

The Servicemen and the Civilians

As may be inferred, the model of the Armed Forces of the Republic of Poland described above assumes quite fundamental changes both in the strategic concept, and the organizational structure and the order of battle of the Polish Armed Forces. This model is not yet a closed concept, and it will certainly undergo transformations.

In the command and control structure of the Armed Forces itself, this involves primarily the division into a civilian-military element (headed by a civilian) and the purely military element (the so-called green line). The objective is for defense policy to be made not only by people wearing uniforms, and for state organs to be able to exercise control over the defense force of the state which is free of unilateral political dependencies, as well as to assume some of the responsibility for it. This is in line with changes in the [political] system which are under way in our country.

The materials presented suggest that so far no decision has been made as to the acceptance of a variant of direct management of the operations and training of the Armed Forces. Under consideration is entrusting this function to the General Inspector of the Armed Forces—a supreme commander in the event of war. Three basic headquarters departments would report to the General Inspector of the Armed Forces: planning and organization (General Staff of the Polish Armed Forces); logistic support (Logistics Headquarters); training (Inspectorate

of Training); and three armed services: the ground troops, the Air Force and Air Defense Troops, and the Navy.

Alternatively, the General Staff would retain all leadership tasks in peacetime and wartime, and the position of General Inspector of the Armed Forces would not be created. The peacetime strength of the Army discussed here would amount to between 230,000 and 250,000 men. Within this Army, I quote, "It is envisaged to maintain the reserve of the commander in chief consisting of several mechanized brigades and airborne assault brigades, a brigade of fighter-bomber aircraft, and two regiments of combat helicopters. Rapid-response units may be included in the reserve."

It is also envisaged to create regional defense forces. It is necessary to have uniformly organized air defense forces. It is planned to extensively use a logistic infrastructure which is an integral part of the national economy during a period of threat and position warfare. Changes in deployment should consist of having 45 percent of the troops in the western section, 20 percent in the central section, and 35 percent in the eastern section within five to seven years.

Therefore, we may say that we are embarking on building a defense structure of a new type for both the state and the Army itself, which is free of solutions dating all the way back to World War II, as well as coalition tasks, and is adapted to changing the geopolitical arrays in Europe. Undoubtedly, building such a defense force is a difficult undertaking which depends on many factors, primarily the economy of the state. This is why it is certainly not a task exclusively for the military but rather for all forces and organizations which feel responsible for the security and sovereignty of the Republic.

New Krakow Military District To Be Formed

91EP0397A Warsaw POLSKA ZBROJNA in Polish
15-17 Mar 91 p 4

[Interview with Brig. Gen. Zenon Bryk, commander of the Organizational Group for Preparation of the Krakow Military District, by Lt. Col. A. Medykowski; place and date not given: "We Are Setting Up the Krakow Military District"]

[Text] [Medykowski] Not so long ago, it appeared that the organizational structures of the Polish Armed Forces were optimal. Even restructuring, which began two years ago, was supposed to proceed in such a way as to reduce the number of soldiers and the quantity of materiel. Meanwhile, as little as several months later, changes in our part of Europe caused earlier plans to become outdated.

[Bryk] Poland was an element of a certain system of states; the Polish Armed Forces were a part of the Warsaw Treaty; NATO countries were potential adversaries. A decline in the intensity of the division of the

continent, and perhaps the prompt disappearance of this division, is the result of political and military changes in Europe.

However, this does not mean an automatic disappearance of dangers and does not guarantee complete security. As a result of the determinations of the Vienna conference, a reduction in the number of soldiers and the quantity of armament to certain levels will occur. Of course, this also involves our country. However, the deployment of troops in Poland is very uneven, and disproportions have further increased as a result of restructuring.

Changes which we intend to make are mainly the result of the need to station military units more evenly throughout the territory of our state.

[Medykowski] Recently, you accompanied the minister of national defense on a trip through the voivodships of southeastern Poland. This had to do with planned changes in the Polish Armed Forces. What will they consist of?

[Bryk] Our minister wanted to learn on site, during this trip, what the situation is in individual garrisons.

During the trip, the personnel composition of the military units and establishments were analyzed, and preliminary conclusions were drawn regarding an opportunity to introduce structural changes. In particular, the objective was to find an answer to the following question: How many professional soldiers serving in structures to date may take new service positions and perform new duties?

[Medykowski] Numerous trips and meetings indicate a large-scale problem.

[Bryk] A concept of creating four military districts was born as a result of analytical work on the format of our defense. The present Silesian and Pomeranian Districts would be subjected to certain small changes. In turn, two districts would be formed in the military district of Warsaw—the Warsaw District, but of a different territorial composition, and the new Krakow Military District in the southeastern part of Poland. It would include the voivodships of southeastern Poland.

[Medykowski] When will this new district be formed, and what units will belong to it?

[Bryk] Many human and financial constraints exist. This is why all decisions may be made only after plans are precisely prepared and talks with many people are held. The following concept of operations has been adopted. First, barracks for the soldiers and apartments for the professional personnel will be prepared, as well as necessary social facilities, and only later will units be redeployed, new units created, and soldiers in basic military service drafted.

According to concepts developed to date, the command and staff of the district will be located in Krakow because

conditions are the best at this location. I would like to immediately reassure the residents of the city that this will not put them in any danger in peacetime, whereas when any tension develops the commands of this level move to command posts located outside urban and industrial centers.

It is also essential that support units will be located outside Krakow.

Tactical large units and units of a defensive nature adapted for operations in terrain with different relief and vegetation features will belong to the district. Mechanized divisions will form the backbone of the district. Among other things, we will have two brigades, the existing airborne assault brigade and a brigade of mountain infantry. In this matter, we build on traditions. In addition, we strive for good antiarmor and air defense, and reconnaissance.

The pace of organizing the new district will depend mainly on financing. Basic plans could be carried out within several years to come. However, taking into account the modest potential of the State Budget, the deadline may be postponed....

[Medykowski] The above suggests that personnel issues should be resolved first. This appears to be an opportune time to select the best candidates for many positions, and perhaps even to conduct an interesting experiment—a competition for the positions of unit and small unit commanders and some staff positions.

[Bryk] Personnel requirements will come to 2,000 officers, warrant officers, and professional noncommissioned officers. This number includes only soldiers who should arrive from units other than those deployed in the area of the future district (some of the units stationed here will be disbanded; their personnel should find work in new units. In some cases, this will call for additional studies or learning a new specialty).

We expect some of the personnel to move here from the Silesian and Pomeranian Military Districts because they will reduce their potential. A certain number of professional soldiers will arrive in the district from the units and establishments being disbanded, including from the military departments of higher schools.

We are trying to provide good housing conditions and a social infrastructure for the personnel of the future district. Such is the desire of the minister of national defense, expressed in the course of meetings in the garrisons and reflected in pertinent documents. At the

same time, we will strive to employ top-flight professionals. This is what the graduates of military schools should be. In turn, we will accept the best from among the personnel of the disbanded military units and institutions. In view of this, a method of selection will be necessary, and the idea of a competition appears good. Of course, health, age, and other such criteria will have to be met first.

[Medykowski] It may be surmised that some of the personnel will view the announced creation of a new military district as an opportunity to return to their native parts. This fact and the sympathy of the community of this area for the Army should facilitate organizational work. To what degree were these issues touched upon during negotiations with the representatives of the local authorities and administration?

[Bryk] The authorities and local communities will take part in the creation of the new district; actually, they already are. The pace of many undertakings will depend in many cases on their attitude and vigor. I may tell you with real satisfaction about a meeting in Zamosc where the voivode, the mayor, the parliamentarians, veterans, and actually all with whom we talked unequivocally stated their desire to help with preparatory work. The construction of apartments for personnel may begin almost immediately because consent to the allocation of land for construction has been granted.

Views which regard some restructuring endeavors from the past as errors are clear evidence of the attitude of the populace and local authorities toward the Army. It is hard to disagree with them anyway....

Of course, there are also cases in which the local authorities are not too eager to see the Army return to the abandoned barracks. However, I hope that negotiations aimed at explaining the needs, and familiarizing them with the nature of the units and the tasks they may accomplish for the residents (of, for example, Tarnow), will produce the desired effect.

[Medykowski] Data on the issuance of materiel to the units would also be interesting.

[Bryk] We are bound by the numerical limitations established in Vienna; in conjunction with this, we will take over certain types of weapons from the units of other districts. However, we also expect actions aimed at procuring modern weapons for some units, for example, air defense units, from new sources. It is hard for me to say at this point whether it will be materiel produced in the West. In this matter, the financial potential of the state is an essential constraint, but not the only one.

CZECHOSLOVAKIA

Differences Emerge in Slovak Economic Council

AI1704124591 Bratislava NARODNA OBRODA
in Slovak 13 Apr 91 pp 1-2

[Article by (tmp): "Reform Has a Chance"]

[Text] Bratislava—The Slovak Government Economic Council held a session yesterday afternoon conducted by its chairman Jozef Kucerak. The council members spent almost the whole afternoon discussing the coordination of the program for economic reform in our country and the experiences gained so far.

The council was given two documents in connection with this vitally important issue: Slovak Deputy Prime Minister Jozef Kucerak called his document "Coordinating the Course of Action for Economic Reform" and Slovak Economic Strategy Minister Rudolf Filkus added "... in the Slovak Economy" to the same title in his document. These two meaningful words were indicative of possible differences in the Slovak Government representatives' points of view and in implementing reform. However, they were not two confrontationist analyses, but were analyses that mutually supplemented each other and contained experiences and starting points for implementing the economic reform scenario.

Minister Filkus stated that his report merely looks at the issue from a different perspective. "It is unnecessary to talk about specific Slovak features, but it is necessary to talk about the more difficult starting conditions for implementing economic reform in Slovakia."

The wide ranging discussion—in which almost all the 25 council members spoke—was critical, constructive, and matter-of-fact. The reform's three-month results are both positive and negative; it is necessary to learn from them and to take further steps accordingly. The scenario for economic reform is correct; it determines the path for our economy's future.

Economic Council members recommended that both submitted documents—containing almost 100 pages—be discussed by the Slovak Government which will meet on Tuesday [16 April].

Kucerak on Economic Reform Proposals Rejection

AI1904145091 Prague HOSPODARSKE NOVINY
in Slovak 17 Apr 91 p 2

[Interview with Slovak Deputy Prime Minister Jozef Kucerak; place and date not given: "Reform at the Crossroads"]

[Text] [HOSPODARSKE NOVINY] What did the ministers have against the material contained in the Coordination of the Course of Action for Economic Reform? Why did they reject it?

[Kucerak] They formulated their opinions contending that the Coordination of the Course of Action for Economic Reform is too theoretical. Apparently, it will not resolve the problems that originate in the reform.

[HOSPODARSKE NOVINY] And this is not the case?

[Kucerak] Obviously it is a matter of opinion what is and what is not theoretical. The fundamental principles, from which the reform proceeds, are based on a generalization of the experiences from advanced economies. They are not made up by scholars. If someone rejects such a theory, he does not know what he wants. Those ministers who have not been successful in projecting and specifying the aims and course of action for economic reform—although they were given this task in a resolution adopted at a government session in January this year—are the ones who have the most objections. This is also, perhaps, paradoxical.

[HOSPODARSKE NOVINY] Are you not taking the government's rejection of this material too personally?

[Kucerak] This issue does not involve me personally. It involves the reform. I am annoyed that doubts are now being cast on the contents of the government's policy statement. In my opinion, this is not only a manifestation of misgivings; it seems that the issue involves the reform itself. The whole situation has become rather confused for the public because everyone is declaring that he is in favor of radical reform. However, at every opportunity they bring up specific features and difficult starting conditions; they cast doubts on the koruna's current rate of exchange and the import surcharge; they propose an administrative reevaluation of the koruna; they want a deficit budget, and so on. They are simply looking for pretexts to ameliorate reform, although—of course—this is not what they call their activity.

[HOSPODARSKE NOVINY] Do you really think reform is threatened?

[Kucerak] It is still too early, obviously, to make such harsh judgments. In any case, I think the Slovak Government itself has placed certain restraints on reform. It will perhaps be difficult for us to explain and justify this.

POLAND

Tax Director on Changes in Income Tax Law

91EP03904 Warsaw PRAWO I INTERESY in Polish
No 2, Feb 91 p 1

[Interview with Jadwiga Kozłowska, director of the Tax Department, by Krystyna Milewska; place and date not given: "Income Tax—What Changes?"]

[Text] [Milewska] What are the most important changes in the income tax this year?

[Kozłowska] A reduction in the progression of the scale of income tax by means of lowering the top rate from 50

percent to 40 percent and a considerable expansion of the tax ranges of this scale are the most vital changes. An opportunity to write off losses sustained in a given tax year from the incomes of the subsequent three years is allowed. The amount of expenditures for advertisement and representation which are included in costs has been increased. Likewise, the principle of fully including in costs incurred in a given tax year all outlays for purchasing and manufacturing all components of assets not subject to amortization has also been adopted. The rates of amortization allowances have also been increased by both increasing the base on which amortization is calculated (at issue is the reappraisal of the initial value of fixed assets) and increasing the rates of amortization themselves. So-called accelerated amortization has been introduced for some fixed assets.

[Milewska] The exemption for the income tax on individuals is considerably smaller than in the compensatory tax. Why?

[Kozłowska] These two amounts should not be compared because, regardless of such differences, the withholding of the income tax approximates that from incomes which are subject to the tax on remunerations and the compensatory tax. We should remember in all of this that a tax on remunerations amounting to 20 percent is levied on remunerations up to the amount of 36 million zlotys, that is, the amount exempt from the compensatory tax. Given an income of 36 million zlotys annually, a person paying the income tax will, after subtracting an exemption of 3.6 million and the ZUS [Social Security Agency] contribution (at a minimum 238 000 zlotys times 12 equals 2,856,000 zlotys), will pay about 6,223,200 zlotys, that is, 21 percent of the entire income. Therefore, the tax withholding is almost the same.

[Milewska] This year, lump-sum tax payments, the so-called cooperative and book lump payments, have been eliminated contrary to the wishes of the craftsmen. Why?

[Kozłowska] The preserving of lump-sum forms of taxation does not agree with the new tax system currently being created, especially in the environment after the introduction of a tax on goods and services (value-added tax). A cooperative to which craftsmen belong cannot pay this tax; only a taxpayer himself can. If we preserved cooperative lump-sum payments, this would mean that a cooperative would have to take over the mandatory brokerage of not only sales, but also purchases of all assets for production. This solution cannot be viewed as proper.

[Milewska] Have there been such problems in the process of using the current formula of the turnover tax?

[Kozłowska] No. It is paid on the basis of the amount of sales; meanwhile, the value-added tax is something completely different. It must be indicated in all invoices which will be received by producers purchasing materials and investor goods. In turn, a taxpayer drawing up

his invoices will also enter the cost of a given product plus tax. He will pay the treasury chamber only the difference between the tax he paid on purchases and the tax he added himself when writing invoices for his products.

[Milewska] Therefore, a cooperative would have to maintain complete records of the cost and sales of producers.

[Kozłowska] Indeed. Maintaining this "compulsory brokerage" does not agree with the current economic reform. This lump-sum form of taxation applied anyway only to the group of taxpayers who used the brokerage services of a cooperative. Therefore, this provision may be seen as running counter to the principles of the law on economic operations which recognizes the equality of all economic entities in trade and encumbrances under public law.

[Milewska] A person who had a good-size factory and a person who had a two-person workshop could be cooperative members. The income of both was estimated for the purposes of taxation....

[Kozłowska] Precisely. A certain differentiation always occurs in cases which have to do with estimated incomes. This income can be estimated for small enterprises without major deviations. However, when we have to deal with very high [volume of] sales, for example, 2 billion zlotys, a one-percent shift in an estimate of profitability may cause substantial amounts of profits to be left untaxed. This would be unjustified, especially at a time when we should approach seriously the comprehensive taxation of personal income of the populace. However, in abolishing lump-sum payments, we adopted the principle that the keeping of cost records should be done in a simplified manner. We introduced an abbreviated book for proceeds and expenditures for smaller companies which is easier to fill out, instead of complete bookkeeping.

[Milewska] There have been many changes in the tax system. There are more and more taxpayers, especially smaller, private ones. Treasury chambers are becoming crowded. Many people complain about incompetence, and crowds, in a word, the poor quality of services by the tax organs. What about this problem?

[Kozłowska] We have a personnel problem which becomes particularly acute when it comes to fundamental changes in the tax system. I hope that the Sejm will adopt basic tax laws very soon (a tax on goods and services and a tax on personal income). We will be able to begin training the tax services in full once we know the final decisions of the Sejm. Regardless of this, we will have to train the financial and bookkeeping services of all enterprises and get through to all citizens so that everyone will know why he must pay and how much. Substantial changes are to occur in the organization of treasury services. Work is under way on amending the law on the office of the minister of finance. We want a separate control section to emerge.

[Milewska] The so-called tax police.

[Kozłowska] Precisely. It will handle, in particular, cases of incomes concealed from taxation. We attach great hopes to outfitting our tax services with computer equipment. At this time, the employees of all treasury chambers are receiving appropriate training. Work is under way on developing programs. However, the law should be adopted in its final shape in order for us to complete this development.

[Milewska] It is commonly believed that those who engage in trade on the streets do not pay taxes. Is this true?

[Kozłowska] In general, no economic operations may be conducted without the payment of taxes.

[Milewska] Who monitors this?

[Kozłowska] Our treasury chambers and offices. Last year, very many people engaging in trade, especially itinerant trade, filed tax payment papers. However, this is not at all to say that a certain margin does not exist which does not file tax payments; this group shapes the opinion about the rest. Last year, employees of our financial control and treasury chambers carried out a considerable number of inspections of the trade which proceeds on the streets and markets. These inspections suggested that in the group subjected to inspections only 20 percent did not file tax payments. I would like to stress expressly that I am referring to reporting their operations for the purposes of taxation rather than for entering them in registers of economic operations.

[Milewska] If I sold something on the street would I necessarily have to register as a company?

[Kozłowska] Some types of economic operations are not required to be entered in the register of economic operations. This is what the law on economic operations suggests. For example, when a person is employed somewhere, and trade amounts to operations on the side, there is no need to register such operations. However, it is necessary to file for tax payments. Itinerant trade has never been exempt from taxes.

[Milewska] Does this apply to foreigners too?

[Kozłowska] You are asking me a question which the Germans would ask their tax organs regarding Poles engaging in trade. Of course, it also applies, if the foreigners engage in economic activities here.

[Milewska] Thank you for the interview.

Changes in Turnover Tax, Import Tax Outlined

91EP0390A Warsaw PRAWO I INTERESY in Polish
No 2 Feb 91 p 1

[Interview with Adam Wesolowski, director of the Turnover Tax Department in the Ministry of Finance, by

Krystyna Milewska; place and date not given: "The Turnover Tax—On the Border"]

[Text] [Milewska] What is changing, first of all, in the guidelines for the payment of the turnover tax this year—is it the rates of taxation?

[Wesolowski] No, the basic rate, 20 percent of production operations, remains the same. A new table of the rates of the turnover tax is being prepared by the Ministry of Finance now. We may say that in recent years the Ministry of Finance has thoroughly streamlined the rates of the turnover tax. We no longer have several dozen rates, as was the case several years ago; we have considerably fewer rates. This unification and streamlining of the rates was necessary in order for the turnover tax not to distort the picture of profit margins of enterprises. In addition, we are planning to introduce in the second half of the year a tax on goods and services based on the formula of the value-added tax used in Western Europe; at this point, we will only have two rates—the basic rate and the reduced rate.

[Milewska] The law introduces a turnover tax on imported goods. Will this not be a blow to importers?

[Wesolowski] To date, the turnover tax has also been levied on imported goods, but it has been collected at wholesale and calculated in a different manner, by the so-called method of 100. If the rate of this tax amounted to 40 percent, and the merchandise was sold for 10,000 zlotys, this price included a 40-percent turnover tax. From now on, the tax will be calculated on the basis of the cost of merchandise plus customs duties. For example, the cost of imported merchandise amounts to 5,000 zlotys, the customs duty, to 10 percent (500 zlotys), and the turnover tax, to 25 percent. Twenty-five percent of 5,500 zlotys amounts to 1,375 zlotys. We will collect this turnover tax right away at the border. Of course, when an importer later sells this merchandise at wholesale he will add this to the price.

[Milewska] Is this collection at the border not an unnecessary complication?

[Wesolowski] This is how turnover taxes (also value-added taxes) are collected in other countries. Collection at the border will prevent these imports from escaping taxation, as is frequently the case at present. We should also remember that in keeping with international guidelines, this tax is repaid in the event of exports. Those who export goods on which the turnover tax has been levied receive a refund for it at the border, because in another country they will pay this tax on imports.

Changes in the turnover tax and the method of its collection amount to precisely an adjustment of the guidelines of the tax to those in effect in Western countries, especially the EEC.

Eligibility for Property Returns, Compensation

91EP0391A Warsaw PRAWO I INTERESY in Polish
No 2, Feb 91 pp I-II

[Article by M.P.: "Seized Property: Will the Volks-deutsch Recover Their Property?"]

[Text] Contemptuously they were called Volksdeutsche or Reichsdeutsche and belittled. Only recently voices began to be heard explaining the forced situation of, for example, the Silesians when they signed a letter of this kind during the last war. Claims to property followed this. Demands were made for the return of property seized as a result of court rulings in sentences passed in the 1940's for defection from the Polish nationality. Civil rights advocates intervened and editorial offices were flooded with letters.

Not just those sentenced are seeking the return of property, but also their families from whom property was taken as a result despite the fact that they, themselves, never stopped being Poles.

Sentences in these matters were issued in the 1940's. Several regulatory acts covering these matters were valid at that time. Also, everyone acted differently. The legal situation of the property differed depending on which act served as a basis for the verdict.

The decree dated 4 November, 1944, on protective measures with respect to traitors (and executive orders pertaining to the decree) pertained to Poles in German-occupied Poland and in the Bialystok Voivodship who declared themselves during the occupation to be Germans or of German descent or actually benefited from laws and privileges due to being German nationals or being of German descent. Not only the property of such persons, but also of family members living with them, was subject to confiscation on behalf of the State Treasury. A special penal court passed verdicts on this at closed meetings on the initiative of a prosecutor. There were incidents in which someone was considered a Volksdeutscher or even a Reichsdeutscher on the recommendation of an underground organization fighting the occupying forces. In those cases, the court could rehabilitate the person or even restore the confiscated property of the family.

The executive order mentioned here determined that the property of a defector was subject to seizure and taken into custody. It could be returned only if the accused was rehabilitated or if the property of members of the family was released by the court. Otherwise it was turned over to the State Treasury.

The law dated 6 May, 1945, regulated the legal situation of Polish citizens in areas incorporated by force into the Reich and in the Free City of Gdansk who were listed in the registry of German nationals or included in one of the privileged groups by the occupying forces. An individual listed against his will in a third or fourth group

and in the so-called Leistungs-Pole group who demonstrated Polish national characteristics by his behavior, made only a so-called loyalty declaration after the war and his property was not subject to any restrictions. Meanwhile Poles were subject to court rehabilitation who were included in another list of German nationals, included in one of the privileged groups by the occupying forces, or actually listed in a third group of German nationals (whose German nationality the occupying forces refused to retract).

If an individual was not rehabilitated or did not apply for rehabilitation (for example, was abroad at that time and did not intend to return and was not interested in clearing his name in the country, or did not know that such applications could be made), his property was subject to seizure.

Also, there were two types of rehabilitation. So-called complete rehabilitation did not result in forfeiture of property. At the same time, limited rehabilitation could bring a verdict of forfeiture of all or part of the property.

Finally, on 11 September, 1946, the decree dated 28 June, 1946, which covered penal liability for defection of nationality during the war became valid. Based on these regulations, at first only acts committed in the Silesia-Dabrowski Voivodship were subject to penalty; soon, however, the order of the Council of Ministers dated 29 September, 1946, extended the application of this decree to the whole country. Releasing property from custody and state control could occur only after: a verdict was issued that did not contain a judgment specifying forfeiture of property, a verdict was not issued, or a decision was issued foregoing prosecution. In the last case, one of two conditions had to be met: the property had to still be in the possession of the owner, or the applicant who declared German nationality or membership in a privileged group had been ordered to do so in the interests of the Polish State or a Polish freedom organization and specific state or public considerations did not block returning the property.

The court with the participation of the prosecutor made decisions in closed meetings on releasing or confiscating property.

In 1955, the Supreme Court, in a decision by seven judges, ruled that property seized without cause by clearing offices (in spite of its not being subject to seizure on a legal basis) could be released only if the conditions discussed here existed.

The decree dated 20 July, 1950, removed sanctions with respect to citizens who declared themselves to be Germans. Therefore new proceedings were not initiated, and those in process were discontinued. Sentences that were not wholly or partially carried out were remitted. Honorary public and civil rights were restored. But property seized was not returned. The order of the Council of Ministers dated 26 July, 1950, decreed that rulings on forfeiture of property remain in force. At the same time,

release of property from occupation, custody, or administration could occur only on condition that on the day the decree became valid, the property was still in the possession of the owner.

The law dated 12 March, 1958, on the sale of agricultural real estate and regulating affairs connected with implementing agricultural reform and rural settlement also pertained, among other things, to sanctions for defecting from Polish nationality. Farm and forest real estate belonging to persons who defected from being Polish nationals during the war and was repossessed by those persons between 23 July, 1950, and 5 April, 1958 (the day the law dated March 12, 1958, became valid) could be released from occupation, custody, or administration. This regulation pertained only to that real estate, title to which had not yet passed to the state. Only real estate in the possession of the individual guilty of defection was released from occupation. If, however, the real estate was in the possession of a previous owner, but the State Treasury was the owner, the legal state remained unchanged.

As we have already mentioned, former owners or their heirs are making efforts to have lost property returned. They invoke various abuses committed in those years by the penal courts in passing sentences. A civil rights advocate also participated in these matters. Professor Ewa Letowska called attention to the fact that admittedly the 1950 law removed the sanctions and limitations with respect to this group of Poles, but rulings remained in effect in the case of property that was seized before the law was valid. In some cases, only release of property from occupation, custody, or administration could occur.

Meanwhile, an individual rehabilitated on the basis of the law dated 6 May, 1945, without being sentenced to seizure of his property (therefore the property was subject to release from occupation on the basis of the law itself) could apply for its return. A claim arising from possession of real estate will not be subject to expiration (Art. 58 of the law on material goods, presently Art. 223, Paragraph 1 of the Civil Code). Nevertheless, so many years have passed since that time that the real estate may have been occupied by a different individual. In this case, the former owner will have no chance of recovery.

Meanwhile, claims for compensation for return of real estate or compensation based on this claim have expired.

In this situation, the civil rights advocate admitted that there is no basis for initiating proceedings in specific cases for the return of property that became the property of the State Treasury on the basis of regulations that were valid at that time.

ROMANIA

Agriculture, Food Industry Official Interviewed

91BA0484A Bucharest ROMANIA LIBERA
in Romanian 26 Mar 91 p 2

[Interview with Ion Ivanoiu, deputy director general at the Ministry of Agriculture and Food, by Eugen Sasu; place and date not given: "Interest Rates, Loans, and Debts..."]

[Text] "Profitable" CAP's [agricultural production cooperatives] owe more than 2.5 billion lei to SMA's [agricultural machinery stations] for 1990. On top of that amount, plus interest, come another 4 billion lei spent last year for the 1991 production. This money will be recovered by liquidating the assets of agricultural cooperatives and from the income of the agricultural and commercial associations that will be formed. Does that mean that the peasant will get his land with ready-made debts? The agricultural season is approaching but so far it is not known who will farm the land and how. It is possible that large areas will remain unfarmed (which is extremely serious). Loan interest rates are heavy (10 percent). What other bets will Mr. Prime Minister Petre Roman make?

The fever of the approaching agricultural campaign is not felt. Only now are former owners filing applications to recover the land stolen from them. That is a long procedure. And even if it were to be completed in 90 days as envisaged in the Land Stock Bill, it would still take until the end of May. What can be sown then? Who's fault is it? The gentlemen in Parliament, who discussed the draft bill in question interminably, for so long in fact, that now it is too late to cultivate the entire area available. Where should the peasants get together so much money to pay for machinery? How high will be the fees that SMA's will demand? Will the machinery sector be capable of meeting all the demand? These are the issues we discussed with Mr. Ion Ivanoiu, deputy director general at the Ministry of Agriculture and Food.

[Sasu] Mr. Director General, what do the CAP's owe for the [mechanized] work done on their land?

[Ivanoiu] Their back debts in money and in kind for work done for last year's production come to 2.5 billion lei.

[Sasu] So, if I understood you correctly, that amount is only for 1990. What about this year's production?

[Ivanoiu] For last fall's crops, which constitute this year's produce, and for plowing the land that will be sown now in spring, the SMA's extended credits totaling approximately 4 billion lei.

[Sasu] How will you recover this money?

[Ivanoiu] A decision was issued in order to cash the 2.5 billion in 1990 debt under which a special credit is granted to CAP's to pay for SMA work. The county

agricultural directorates, the branches of the Agricultural Bank, and the managements of the cooperatives will now make arrangements to implement this decision. As for the 4 billion we spent for this year's crops, they will be recovered from the produce achieved.

[Sasu] That seems simple enough, but how will the 2.5 billion extended by the state as loans to cooperative units be recovered?

[Ivanoiu] This amount and the interest on it will be recovered from the money gained by liquidating the assets of the cooperatives and from the income that will be earned on current production by the associations that will be formed and by stock commercial companies.

[Sasu] Which means that a cooperative member will get his land already with debts on it. And a citizen whose land was taken away but who did not work in a CAP also owes money on his own land for debts incurred by others. But I want to ask you something else. Some agricultural cooperatives have long been dismantled. They did not wait for the law. Since they do not exist anymore, who will pay their debts to the state?

[Ivanoiu] One solution may exist, although it will not take care of the entire problem. Aside from our basic activities, we intend to provide services, too (supply seed, fertilizer, pesticides, etc.). Hence, we will need storage facilities and fuel storage, which we will take over from the units dismantled. Part of the debts will thus be recovered this way. The remaining debts will be centralized at the Finance Ministry with a view to finding a solution.

[Sasu] Some 1.3 million hectares remain to be plowed and close to 6 million hectares must be sown. Will you be able to cope?

[Ivanoiu] It is not that simple. We could have finished plowing by now...

[Sasu] Do you have the money for the spring work?

[Ivanoiu] If we get the debts for 1990 (the 2.5 billion), then the SMA's credit limit for this quarter will be lifted. We will receive bank loans—albeit at a stinging interest rate (10 percent)—so we will be able to get down to work. Moreover, we are still due to receive 746 million lei from the Finance Ministry which is the difference for the higher fees charged for the work done last October and November, and according to a decision issued, that difference will be paid out of the state budget.

[Sasu] The first quarter is drawing to an end. How will you manage in the second?

[Ivanoiu] As we do the work, regardless of who owns the land, we will be paid for it. Which does not mean that we will not need additional loans. The bank will grant them on the basis of the work contracts we will sign with land holders.

[Sasu] Do you think that everyone will have money to pay you?

[Sasu] On the other hand, you cannot force a person to sign a contract. The law envisages certain measures for those who do not farm their land. Besides, any owner can take out a bank loan if he is short of money.

[Sasu] True, but right now the peasants do not know what are the bank lending conditions. The law says that the tax, lending system, and other facilities will be regulated under special bills. How is that? Should the peasants take out bank loans now, without knowing at what interest rate and when they will have to pay them back? They should take out loans to pay for work done by SMA's at increased tariffs? When they come to draw the line between earnings and outlays they may find that they did not earn anything! If you had to go in the fields tomorrow, could you handle it?

[Ivanoiu] We have big problems about spare parts for the machinery that will be put to work this month. Like every year, we are short on bearings, injection pumps, motor shafts, segments, tires, batteries, etc. A new program has been hammered out with the suppliers...

[Sasu] Like in the past. In other words, nothing has changed. The agricultural sectors is still the Cinderella of the economy, although the government promised to treat it as a priority branch. All the conditions exist for part of the country's land to lie fallow this year. Will we have to import? God have mercy on us! We'll see what happens! Except that, if we continue to go by this principle, from a big food exporter we will become an even bigger importer!

YUGOSLAVIA

Country's Economic Trend for 1991 Assessed

91BA0455A Belgrade EKONOMSKA POLITIKA
in Serbo-Croatian 18 Mar 91 pp 25-26

[Article by Tomislav Dumezic with comments by Velimir Bole: "Production: Both Less and Worse"]

[Text] Last year, when the market was mainly open to foreign goods, inflation had been essentially reduced, and the exchange rate of the dinar was absolutely stable, the population (consumers) became accustomed to better-quality and cheaper imported goods in more modern designs. Domestic producers, however, did not even begin to lose the habit of producing identically the same products for decades, while productivity declined and costs rose. They believed (rightly as it turned out) in socialism—that the open market and the stable convertible dinar were an experiment that would not last long because our system could not support it, just as the change of the system could not be accepted not only by the people in and around the government, but also by the majority of employees, pensioners, and other categories of citizens on whom the new value categories of this

society had been imposed—membership in a group (for example, the employed, white-collar workers, veterans, etc.) and the enjoyment of small, but certain privileges that came with that membership. The customary values in democratic societies with a market economy, by contrast—individual value, the tendency toward differentiation, business enterprise involving risk—were altogether suppressed.

Today, there are few sober people who believe that last year's experiment will be repeated. Perhaps the chairmen and members of the federal government still intend to repeat it in a somewhat altered form—with a somewhat more restrictive import regime and with more restrictions related to the conversion of dinars to foreign currency. And, of course, with greater influence on the commercial banks and guaranteed enforcement of regulations related to the functioning of the Federation and the order of priority of payments. Is that ambition realistic even then? Dr. Ante Cicin-Sain, governor of the National Bank of Croatia, says that for many years Yugoslavia will not be able to restore that degree of liberalization of foreign economic relations it had last year. If that is really so, then it is worth answering the question of whether Yugoslavia can survive with a closed economy, unconvertible dinar, multiple exchange rates of the dinar—at what price, and who gets anything out of it?

That is why it is sensible to work on other problems: How, under the more difficult material, political, and social conditions, to carry out a reform which must be based both on an open market and on dinar convertibility.

Decline of Production

The two greatest objections which have been made to the reform and to its effects last year are these: first, the reduction of production and the country's social product and the relaxed expenditure of reserves of foreign exchange. Production really fell off essentially. That trend is continuing this year as well. However, the production of quality and inexpensive products, which can always find a customer on the world market, has not dropped off. Total production has dropped off, but the process of restructuring has not been taking place. Instead of producers solving their financial problems and the problems on the market caused by foreign competition—through restructuring of ownership, change of management, adaptation of production programs—most of the enterprises have opted for a short-term and economically ruinous solution. They themselves have been importing the products which they produce, selling them, and in that way obtaining money to pay personal incomes.

Industrial production, viewed as a whole, was down 11 percent for last year. In some branches, it did not drop off. It remained the same in the electric power industry, and coal production was up (2 percent), as was petroleum products production (1 percent), which was also

the size of the increase in production of nonferrous metals. Beverage production was up all of 12 percent, while production was up 3 percent in the production of livestock feed and tobacco processing. While production as a whole was down, inventories of industrial products were up 2 percent over 1989. It is significant that inventories were growing particularly late in the year—in November and December. This growth of inventories, when sales were more difficult, collection for products was suspended completely, and imports of raw materials and supplies for production were down, brought about a further drop of industrial production this year.

It is significant that last year production decreased essentially in those industrial activities where foreign competition was more evident. Thus, for example, total metal manufacturing had a 17-percent smaller output. At the same time, production of production supplies dropped off the least (15 percent), while there was a larger drop in the production of finished products (21 percent for metal fabrications and 19 percent for other metal products). Production was down 19 percent in machinebuilding, while the production of agricultural machines dropped off all of 25 percent.

The presence of foreign competition had an essential impact on the drop in production of power machines and appliances (19 percent). It is significant that production dropped off in this industry particularly toward the end of last year: It was down 25 percent in November and 26 percent in December. At the same time, the drop in production of power machines was considerably greater.

Trends this year show that the rate of decline of industrial production is speeding up. According to an estimate of the Economics Institute of the Ljubljana School of Law, the very rapid drop in industrial production will continue. In and of itself, the drop in production is not tragic. It could have been avoided by eliminating foreign competition, which manufacturing enterprises and their associations are plotting. However, maintaining that kind of production (technologically outdated, low-quality, and expensive) is preventing Yugoslavia from becoming a part of the European economic space. This is also determining political and social decisions in the country.

Which means that production can be maintained in a closed market only under socialism, and that system, regardless of the enclosure, is nevertheless disintegrating.

How is the process of restructuring of ownership, which is a precondition for restructuring production, to be initiated—by bringing in foreign capital, business enterprise, and management? Does the Law on Social Capital represent the first rational step contributing to broad restructuring of ownership—institution of a division between labor and capital and between labor and management and creation of a rational state of opposition on that basis? The first effects, however rational the decision might have seemed, do not confirm this assumption.

Inflation on the Horizon

However calming the effect of the January rate of inflation (5.6 percent), the rise of retail prices in February was considerably greater—9.2 percent. Retail prices have risen 15.3 percent since the beginning of the year. The effects of devaluing the dinar have still not been expended, but it is certain that this will happen soon if this trend continues. The trend can, of course, be stopped, which would mean that relative stability can be maintained with another smaller adjustment of the exchange rate, accompanied by other changes.

The rise of retail prices in February might also have been the consequence of the altered rates of the turnover tax and extension of the turnover tax to a number of products which had been exempted from this addition until 1 February of this year. There were particular increases in the special republic turnover tax, and they undoubtedly had an impact on the rise of retail prices last month. However, producer prices of industrial products are also rising. They rose 9.8 percent between January and February, which will provide an important thrust toward a further rise in retail prices in March and April of this year. It is significant that the largest increases were in the prices of products for personal consumption (10.6 percent), which is a consequence both of devaluation of the dinar and the overall drop of imports, especially imports of consumer goods.

In the fuel and power industry, average producer prices were up 10.2 percent. This relatively small price increase resulted from the relative stability in the production of petroleum, gas, and petroleum products. On the other hand, prices in the electric power industry rose 24 percent, and in coal processing they rose all of 24.8 percent. The price increase was relatively small in metallurgy (4.8 percent) where no price increase over January occurred in production of iron ore, while in the production of ore of nonferrous metals prices even dropped 1.7 percent.

Sector by sector, industrial prices rose the most over the last year in the fuel and power industry (90.8 percent), and in the electric power industry they even rose 115 percent (comparison of February 1991 to the same month of last year). Since the beginning of the year producer prices of industrial products have risen 15.4 percent, which approximately corresponds to the rise of retail prices. The smallest price increases were in the production of machines and equipment (13.1 percent), and the largest in the production of production materials and supplies (15.8 percent). The ratios are the same when we look at production over the first two months of this year against the same period of last year. Prices of machines and equipment were up 31.9 percent, and prices of production materials and supplies 43 percent.

It will not be possible to avoid the influence of the rise of producer prices of industrial products on the rise of retail prices during this month and next. Inflation can, of course, be moderated. This depends primarily on the

movement of personal incomes, taxes, and contributions. Personal incomes at the beginning of the year are decreasing in relative terms. Total net personal incomes paid out this January were somewhat less than 28 billion dinars, which is about 8 billion less than the level achieved in December of last year. Personal incomes rose in February. Total net personal incomes paid out amounted to 33.4 billion dinars, which is 20 percent over the January level. Taken as a whole, personal incomes over the first two months of this year were up 83 percent over the same period of last year. Because the bulk of public expenditure depends on personal incomes, when their growth drops off, budget revenues and revenues to finance the social services automatically stagnate. It follows that an essential impact toward reducing inflation could be achieved through consistent enforcement of what is called firm budget restriction of enterprises.

Personal incomes rose at differing rates from one republic or province to another. In January and February of this year, personal incomes showed the smallest nominal growth over the same period of last year in Macedonia (only 45 percent), which indicates that they decreased essentially in real terms. In Slovenia, personal incomes also rose more slowly than the Yugoslav average (by 20 points). The sum total of net personal incomes paid out in January and February of this year amounted to 10.5 billion dinars. In Serbia proper, the amount paid out in that period was 17.6 billion dinars. Serbia proper does not have an essentially larger income than Slovenia. It follows that personal incomes paid out in this republic are far greater than financial capabilities, and this has an essential impact on the level of illiquidity and insolvency of enterprises, on their losses, and on the money available for financing not only development, but even regular maintenance of capital assets. The relative reduction of personal incomes in Slovenia resulted in a narrowing of the spread from one republic or province to another.

The growth of total personal incomes was above average not only in Serbia proper, but also Kosovo, Croatia, and Vojvodina. It is significant that personal incomes of persons employed in the economy have been increasing considerably less than those of persons employed in banks and other financial organizations, in the social services, and in government agencies and organizations. Total personal incomes in January and February of this year for all persons employed in the economy were up 74 percent. Those employed in banks and other financial organizations received all of 317 percent more net payments. The total for personal incomes of persons employed in the social services was up 99 percent, and in government agencies, organizations, and work communities they were up 140 percent. It follows that the measures of the restrictive monetary policy and general insolvency are to some extent having an impact on business enterprises. The banks, regardless of illiquidity, are increasing personal incomes above the average so that they are growing in real terms, and this also applies to those employed in all government agencies and organizations. This is a consequence of the considerably

higher taxes and contributions—revenues of the budgets of the Federation and the republics and provinces have grown in real terms, and that accounts for the immoderate rise of personal incomes of persons employed in government agencies.

It probably will not be possible to avoid a further drop of production. The trend of producer prices and retail prices this year will depend also on the degree of restrictiveness of credit and monetary policy, and in particular on the movement of personal incomes, budget revenues, and the revenues of SIZ's [self-managed community of interest] and funds in the social services. If agreement is reached on the functioning of the Federation based on the proposals of the Federal Executive Council, it is possible to maintain relative stability of the market. Is it possible to restrain social tensions and halt the large-scale social rebellion which could soon make its appearance? It will not be possible to hold back the rebellion without changes of the economic system which will allow differentiation of enterprises into successful and unsuccessful. That will also be a sign that the reform is not yielding results. After all, the reduced industrial production and social product of the country are not evidence that the reform from last year has not yielded favorable results. The evidence that the reform has not succeeded is actually the absence of differentiation of economic entities into successful and unsuccessful enterprises, into profitable and unprofitable business activities, into rich and poor regions.

[Box, p 25]

**Velimir Bole: An Economic Policy for Survival
(PRIVREDNA KRETANJA JUGOSLAVIJE, No. 214)**

Economic policy in 1991 and in the coming year will be largely determined by greatly deteriorated economic performances in late 1990 and by the rather unfavorable trend of the world economy, and especially of the situation on the world financial market. With respect to the choice of goals, and particularly instruments, economic policy will not have opportunities for any great discretion. That is, particularly in the second half of the year, external liquidity will dictate the necessary moves in economic policy. The difficulties in conducting economic policy (at the federal level) will be still greater in 1991 than in 1990 (although the horrifying growth of political entropy has not even been taken into account at all) because last year economic policymakers (to a considerable extent through their own fault) lost the control which economic policy can have over the fiscal sectors and (to a somewhat lesser degree) over credit and monetary policy, while in the sector of income policy the republic administrations, right from the outset, from the very launching of the program (in late December 1989), have been blocking federal economic policy.

Above all, in the second half of 1991 we can anticipate a quite regular adjustment of the exchange rate to the movement of prices and/or extensive rationing of

imports with the well-known concomitant phenomena ("quasi-market" for import (foreign exchange) rights, "scalping," etc.). If the present political stalemate continues, it is not likely that the tax burden to finance the entire public sector will decrease unless a renewed major acceleration of inflation compels this (through the Tansey (Tanzi) effect). We can expect more borrowing by the republics (a growth of the public debt of the republics) and, at best, unchanged expenditure of the public sector at the republic and opstina level. Assuming a federal budget that is defined more narrowly (embracing the army and the administration), it would be best in the time of political commotion to deliberately rely solely on note issue and thereby make it possible for the state to function and the economy to survive because otherwise this will be forcibly imposed in the end (after the functioning of the state and probably also of the economy is blocked and after there is a further increase in political tensions). All the other functions of the federal budget could be transferred to the republics, and the corresponding activities of the National Bank of Yugoslavia frozen. Credit and monetary policy in 1991 will probably be noticeably more restrictive than in 1990, but incomparably less predictable, with pronounced stop-go characteristics. If financing the federal budget through note issue is adopted, the money supply would be changed only through monetization of external transactions and the financing of the budget.

Dr Rajko Pirnat on Law on Denationalization

91BA0430B Ljubljana DELO in Slovene 20 Mar 91 p 4

[Unattributed article summarizing speech by Dr. Rajko Pirnat, Slovak Republic secretary for justice and administration: "Not Wronging Anyone and Giving Everyone His Due"]

[Text] Ljubljana, 19 Mar—"Ever since Roman times, one of the fundamental principles of law has been not wronging anyone, and giving everyone his due. When this country was stricken by socialism and remained in it for 45 years, the regime systematically attempted to eliminate private property, and did eliminate it almost completely. In taking away private property by measures that only had the appearance of law, it crudely trampled upon all legal principles. With the establishment of a legal and democratic state, one of the main goals must thus be righting the wrongs that were done, particularly during the postwar period, by the state's interference in property relationships in the name of the so-called revolutionary transformation of the society of that time, and in the name of settling accounts with individuals hostile to the regime of that time. Those measures were carried out by means of confiscations, agrarian reform, and nationalizations."

This was stated, among other things, in the opening speech at the session of all three Assembly chambers by Dr. Rajko Pirnat, the republic secretary for justice and administration, when he explained the draft law on denationalization to the delegates. The reasons for

issuing the law, Dr. Pirnat continued, are not only to right wrongs; the reason also lies in the privatization of private property that has been started and is planned. He stated that it was fair to privatize first, or at least at the same time, that part of social property which arose from the wrongful nationalization of private property. That means returning that property to the owners or to their legal heirs. In his opinion, this will also accelerate privatization in Slovenia, since there is not enough free capital with which Slovene citizens could purchase social property.

The main principle of the law is to right the wrongs that were done to the greatest possible extent. The period in which it would be considered in principle that confiscations of property were wrongful, covers the time from the end of the war to 1958. The law should also make it possible to right some other wrongs done later, if property was nationalized without payment. The nationalized property would be returned to the legitimate owners in kind. If that is not possible, they are due compensation in the form of substitute property, securities, or money. One of the fundamental principles of the law is that we must not commit new injustices. That principle covers primarily the protection of physical persons who have acquired property rights to nationalized property on the basis of valid regulations. The law likewise protects rental, lease, and similar arrangements concluded by physical persons for such property. It also protects the rights of social-legal persons, if they have acquired the nationalized property for administration, for lease, or for some similar arrangement with legal payment transactions.

The law on denationalization provides above all for returning nationalized property in kind, but also the payment of compensation in the form of substitute property, securities, and in exceptional cases, money. First of all the return of real estate is planned; movable items are planned to be returned only if they are objects of cultural, historical, or artistic value, or items of greater values or particular sentimental value, according to Dr. Pirnat. The ones entitled to denationalization are those physical persons who were Yugoslav citizens at the time of the nationalization of the property, and obtained that citizenship in accordance with the regulations adopted after 9 May 1945. People who died before 28 August 1945, i.e., before the first law on citizenship went into effect, are entitled if they had previously acquired Yugoslav citizenship in accordance with the regulations then in effect. If those entitled to denationalization are no longer alive, their legal heirs are entitled. Only physical persons are entitled, and legal persons will be entitled only if the law explicitly specifies this. The property should be returned primarily in kind, i.e., to ownership and possession with the restoration of property rights and property shares. If that is not possible, denationalization will be in the form of compensation. The law specifically provides for the restoration of farmlands, woods, apartment houses, apartments and commercial buildings, construction land, enterprises, and capital.

Churches and other religious communities should receive back in kind all sacramental objects and real estate that they need to conduct their activities, in accordance with the agreement between them and the Republic of Slovenia. Claims by those entitled will be decided upon at the first level by the competent commissions that will be established precisely for this purpose.

The implementation of that law, as Dr. Pirnat stated, will increase the volume of work for some administrative bodies and courts. That will force a partial increase in the number of employees in those bodies. The expenditures for the work of the administrative bodies and the courts, according to preliminary calculations, will exceed 600 million dinars, not counting the funds for the payment of compensation. There are still no final data on the extent and value of the nationalized property, but the assessments to date indicate that that property represents a considerable part of the present social property.

Before preparing the proposal for the law on denationalization, the Executive Council will organize a model denationalization in the Lenart, Novo Mesto, and Kranj opstinas. Dr. Rajko Pirnat mentioned the various dilemmas that are emerging with respect to the planned denationalization, i.e., who is entitled to denationalization, the extent to which the property should be returned in kind, how real estate under the control of sociopolitical communities and social legal persons should be returned, and, in particular, how to implement the principle that the correction of the injustices should not create new ones. A separate question is also what the extent of denationalization should be in general, since the law does not provide for any limitations in returning property, except for the church, which is already thus a subject of a separate agreement.

These dilemmas are primarily political in nature, and are derived from opposing interests and from society's limited material capability of correcting injustice to the greatest possible extent. In the draft law, the proposer has already taken a position on several issues, and suggested several possible solutions for others, which will have to be decided upon in the Assembly discussion.

In the maze of different interests and in the gap between desires and abilities, the proposer tried to find the best possible path, Dr. Pirnat explained. That is why no one can be completely satisfied with the draft law, but in his opinion, it represents a reasonable compromise. On the basis of the Assembly discussion, it will be possible to change and supplement all those provisions of the law that apply to entitled individuals, those who are obligated, the scope and means of denationalization, and other substantive issues. The proposer, however, cannot deviate from the fundamental aim of the law, to carry out nationalization upon a claim from an entitled individual through a special procedure that will protect both the interest of the entitled individual and the one obligated, as well as the public interest. The fulfillment of this procedure in each individual case is necessary in

order to avoid repeating the mistakes of the past in denationalization, and to avoid trampling laws and justice again, Dr. Rajko Pirnat stated.

Recovery of Montenegro Banking System

91BA0398B Belgrade BORBA in Serbo-Croatian
5 Mar 91 p 5

[Article by Lj. Mudresa: "The Federation Both the Culpit and the Savior"—first paragraph is BORBA introduction]

[Text] The federal treasury owes Montenegro 1.5 billion dinars, and this republic has also inherited a debt incurred abroad that is 70 percent of the total indebtedness.

Whether Montenegro can have a (strong) bank that would successfully "accompany" the Republic's economy, is a question that is increasingly tormenting businessmen, bankers, and, with regard to the political discord, the official government these days. However, no one knows the real answer, at least for now. This is all the more true because the republic economy has practically been brought to its knees, while the flow of money from the federal treasury is irregular and has been practically cut off. Bankers in the republic largely blame the federation for all misfortunes and the total illiquidity of the banking system.

Seeking a happier result, Montenegrin bankers have been forming a new-old "Montenegro bank" in recent months. Of course, the new banking transformation has not helped much to overhaul the banks, and it has remained unclear whether a good solution for the Republic is one or more banks.

The majority of bankers in the Republic consider that first of all the federation must carry out an overhaul of banks in Montenegro and that this is the essence of an escape from the impasse.

The general director of the "Montenegro bank" in Titograd, Veselin Babic, warns that this is a basic prerequisite and that, parallel with it, "the federation should settle Montenegro's debt, which is currently 1.5 billion dinars. If exchange rate differences were regularly settled and the debt paid off, these problems would not exist because banks have taken out credits abroad instead of later paying off obligations in foreign credits, and enterprises have heavy obligations to banks."

"Montenegro is also in a difficult position because it has inherited a great debt incurred overseas and 'exchanged' within the country for dinars. With this money Yugoslav projects like the Foundry, the Port of 'Bar,' railroads and others have been built. However, this debt is 610 million dollars 'heavy,' or almost 70 percent of overall indebtedness, and this is a noose around the neck of the Republic. On the other hand, the system of the federal budget, which is a part of the Yugoslav financial blood-flow, has been suspended. Insofar as Montenegro is a

part of this system, it is clear what consequences have been imposed on it," says Babic. He considers that a single overhaul of the banks in Montenegro is acceptable as a more stable solution.

In the search for more rapid steps toward the overhaul of illiquid banks, working out a balance for the survival of the Republic—with two variations—has been in progress in the meantime. In speaking about this in some interviews, and about the expose at the last assembly discussion in Parliament, the president of the Government of Montenegro, Milo Bukanovic, has described the whole matter as a priority task in his cabinet. "However, it is known to the general public for now only that plans are being intensively worked on regarding the extent to which Montenegro will be equal as a unit of the Yugoslav federation and as an independent state." Although the official calculation is not widely known, a warning has been heard that this Republic will certainly seek a settlement of the debt from the federal treasury. Bankers expect for the most part a greater inflow of foreign capital into the current empty treasury by means of ownership restructuring of the economy. "Obod" in Cetinje has begun this task before anyone else in the Republic, Babic points out.

Bank Director Discusses Plans of JUBMES

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[Interview with Ivan Stambolic, director of the Yugoslav Bank for International Economic Cooperation [JUBMES], by Vladimir Grlickov; place and date not given: "JUBMES: Doing Business in the Fog"]

[Text] The planning goals of the Yugoslav Bank for International Economic Cooperation (JUBMES) are considerably more modest this year than last. The credit financing and refinancing of exports would be at the level achieved last year. What this means is evident if one realizes that last year fulfillment was half what was planned: Exports worth \$449 million were financed with credit, instead of the planned \$900 million. It is not certain, however, that even these modest goals will be achieved this year because the Yugoslav Bank and the exports on which it issues credit are not favored by the increasingly uncertain political and economic trends (within that framework, the situation of capital goods producers is especially unfavorable).

In the atmosphere of uncertainty and insecurity, when it is not possible to draw up sound plans and forecasts, JUBMES nevertheless adopted balance sheets for this year, hoping that they would not stand only as evidence of something that was desired, but could not be achieved. Assuming that a "gram of authority will in the end not be more powerful than an oke of intelligence," Ivan Stambolic, director of the Yugoslav Bank for International Economic Cooperation, agreed to talk about the business of the bank last year and this year and about its

intentions, insofar as it is able, to take steps toward making its own capital independent and generating more of it.

[Grlickov] JUBMES, as an institution for supporting exports of capital goods with credit, is doing business in an unfavorable political and economic environment, but also with ever keener competition for the exporters it finances with its credit. What are the bank's prospects under those conditions?

[Stambolic] The economic environment is increasingly unfavorable, not to mention the political environment. Blockages of payments traffic, shattered capabilities for conducting a consistent and stable monetary policy, the ever more difficult functioning of the system of foreign economic relations and its erosion, renewed destabilization and a growth of inflation, and devastation of the legal system and security—make it difficult to conduct any vigorous policy. All of this has created the atmosphere and conditions under which enterprises are unable to keep up with the rising costs of government and social service expenditure. The degree of the burden on the economy is such that all the forces of economic entities are directed toward securing the bare survival of the enterprise and conducting bankruptcy operations. The grave condition of the export economy is also illustrated by the financial infrastructure, which is not operating. The federal revenues held back in the republic have had the effect of slowing down replenishment of that portion of JUBMES's capital in which the Federation is a shareholder. The potential losses of the banks (a third of their assets) indicate that there is no capital to get production going. Exporters themselves have surpluses of manpower and inactivated reserves. These are all problems which should be solved because otherwise often even the well-constructed contracts with reliable collection cannot cover the high and uncompetitive cost.

[Grlickov] It would be good if you dwelled on the specific example of the capital goods industry which the Bank credits with its finance.

[Stambolic] In the capital goods industry, the reduction of the physical volume of production has reached almost one-fifth, which, assuming a slight drop in the size of the labor force, brought about a drop in used capacity and a drop in productivity. To be sure, imports increased for a certain time because of more difficult conditions for marketing on the domestic market, but continuation of the growth is threatened by the low motivation of exporters, the decline of export-oriented production, the loss of markets, especially in East Europe—because of the change in the method of payments, the limited opportunities for financing production for export and the export themselves, difficulties collecting receivables from a large number of markets, the very high payments exporters must make for the social superstructure, the strengthening of traditional competition, and the emergence of new competitors on the world market.

Let us look at shipbuilding (maritime and river). It is one of the most important traditional exporting industries, but its situation is intolerable. It has contracts for about \$1.8 billion in work, which represents an inflow of about \$760 million in foreign exchange, but performance is threatened by the lack of \$386 million to carry on business. The consequence: drastic liquidity and growing losses, accentuated by the fact that in the previous 10-year crisis in the world Yugoslav shipyards were the only ones not to eliminate a single job. Along with all that, there has also been a decline in the share of the Yugoslav Bank in the credit financing of exports of shipbuilding because ships began to be sold for cash, because of the high interest rates resulting from expensive sources of funds, because of the impossibility of the credit financing of construction by stages, and because of insufficient sources of resources for financing.

[Grlickov] You did not mention the decline in the credibility of Yugoslavia as a cause of the difficulties. So, all of that together has threatened the system for integrating the economy financed with the Bank's credit.

[Stambolic] Credibility has fallen so low that foreign customers no longer accept guarantees for proper completion of the work, which forces exporters to take less favorable payment terms in their contracts. So, in spite of everything, we must not neglect or threaten the present system for integrating the Yugoslav economy through the projects which this Bank is supporting with credit. This is an economy which is not to the scale of our own economy, this is an industry with ramified connections and business relations in the outside world, an industry that is inflexible when it comes to restructuring. For years, there has been no investment in it that would have brought about essential changes. Many enterprises are in bankruptcy or facing liquidation, and they have no strength to maintain their presence on the world market.

[Grlickov] Can the state help the Bank and exporters? Under the conditions today, it seems that its efforts cannot have an effect.

[Stambolic] There is a need for the state and all of us together to make efforts to strengthen this Bank and its capabilities for financing and restore competitiveness to the export-oriented economy through support. But those still are not the most important problems. Our troubles lie in the fact that the cause of the crisis is political, not economic, in nature. Unless the political issues are resolved, we cannot get out of the economic difficulties, there is no opening up to the rest of the world or entry on the increasingly global world market. In view of the difficulties this year, there is the risk that support will completely dry up, there is the threat of a complete economic collapse, and that will call up forces who think that the way out lies through a war economy and separation from the world.

[Grlickov] Last year, you, that is, the Bank, proclaimed the principle of shareholding, independence, and generation of your own capital. I assume that the general

conditions have not been well-disposed toward implementation of those principles.

[Stambolic] During 1990, the Bank conducted activities under altogether new conditions in which the system was abandoned whereby funds were obtained on the basis of so-called quasi-self-management accords and there was an inflow of false money from primary note issue. The Bank's transformation into a share-holding company continued its business operation with the principal orientation toward generating its own capital. During the grave economic crisis, nevertheless, a first step was made toward laying a foundation of independence, and the principle of liquidity was implemented in the conduct of business. This phase, which the Bank weathered, was the most critical one, and the important result is the very fact that it survived. At the same time, it is important that all Yugoslav regions participate in forming the Bank's foundation capital, which is confirmation that there is an interest in it.

[Grlickov] Nevertheless, the Bank's opportunities for financing are restricted, and that did not bring about its illiquidity?

[Stambolic] In 1990, there was a gross inflow of funds in the amount of 3.6 billion dinars, and a net inflow of 2.5 billion, which represents 61 percent of the funds planned. Expenditure to service obligations for funds amounted to 1.1 billion dinars. Unfortunately, we must state that with its essentially reduced credit potential the Bank managed to respond to all applications for the credit financing of transactions that were at all acceptable. Last year pointed up most drastically the rapid enfeeblement of the ability of the export-oriented economy, above all that segment which is engaged in the exporting of capital goods and contract work on foreign investment projects. In 1990, there was a large drop in the exporting of capital goods on credit which this Bank keeps up with. Exports amounted to \$449 million, which represents only half of the planned amount and is 37 percent below the previous year. The halting of exports and suspension of the credit financing of export transactions to Iran, the resale of several ships for cash, and the interruption of work being done on a project in Hungary had a decisive impact on this volume of exports financed with credit.

[Grlickov] We can nevertheless conclude from the figures you have given that the Bank did make money?

[Stambolic] The profit amounted to only 2.8 million dinars, all of which came from the insurance subbalance. There was no profit on the subbalance for refinancing and credit financing nor for the fund for promotion of exports. This kind of financial result followed from the conditions under which the Bank operated and the interstate policy, in which an effort was made not to make conditions worse for the credit financing of exports. The Bank strove to abide by the recommendations of the FEC [Federal Executive Council] and the positions of the Association of Yugoslav Banks. In the

first nine months of 1990, the Bank managed to maintain a relatively quite low level of interest rates, and then in the last quarter they rose appreciably. The general rise in interest rates on the funds obtained, but especially the high (62-percent) rise in the prices of industrial products, were instrumental here; the latter affected the level of revenues set aside for revaluation reserves. The average interest rates on credits of the Yugoslav Bank amounted to about 31 percent, 704 million dinars were set aside for revaluation reserves, and permanent capital was revalued by 28 percent.

[Grlickov] I notice in the balance sheet for this year how you are attempting to be more realistic and not plan credit financing in high amounts.

[Stambolic] In 1991, the Bank's policy and activity were oriented toward formation of stable capital and securing funds for refinancing and credit financing of exports. We plan to achieve a gross inflow of funds in the amount of 3.5 billion dinars, which is approximately the level achieved in 1990. At the same time, 2.4 billion would be used for the credit financing and refinancing of exports, and 1.1 billion would be used to service obligations related to the funds obtained. As for securing share capital in 1991, that will face increasing difficulty when we bear in mind and look realistically at overall political and economic processes in the Yugoslav community. That is why we propose invigorating the previous initiative to initiate activities with the appropriate bodies of all the republics so that on the basis of interests they themselves make decisions to invest in the capital of the Bank and become direct shareholders. The only functions that will become stronger in the Yugoslav community are those in which all components have economic interests, and this has been confirmed in this Bank. Previous talks conducted in all the republics are instilling optimism that this goal is realistic.

The total established volume of sources of resources will be sufficient to cover exports of capital goods with a total value of \$400 million, along with \$180 million of refinancing and bank credit financing, which is slightly less than achieved in 1990. With that volume of resources, the Bank could meet the obligations assumed under the Bank's decisions already made and the contracts concluded for 1991, as well as a portion of the transactions carried over from the previous year and transactions that will be approved in the current year.

[Grlickov] Is anything changing in interest rate policy this year?

[Stambolic] The same elements used as the basis for setting the rate of interest rates have been envisaged. At the same time, we face two opposed positions. On the one hand, there is the Bank's endeavor to guarantee that it operates at a profit and maintains the real value of the capital, while on the other hand there is pressure from the managers—the credit users—for lower interest rates. In practice, a middle solution which does not make it possible to conduct a policy of real interest rates nor

maintain the full real value of the Bank's capital functions as an objective fact. Interest rates formed in this way are negative in real terms, far below the rise of prices; and that is also the case with revaluation, which does not guarantee maintaining the real value of capital. Under the conditions of the fixed exchange rate of the dinar, interest rates formed in this way are a heavy burden on exporters. A part of this problem is solved through the rebate of interest, except that we must be clear that this does not provide full coverage of the difference between the interest rate which exporters get on the foreign market and the domestic interest rate.

[Grlickov] Taking into account the generally unfavorable environment, the question nevertheless arises of what the Bank, if only in the plan for this year, intends to do to achieve its own independence and better business results?

[Stambolic] As far as it is able, it intends to change the present regional structure of lendings. The structure is untenable from the standpoint of achieving independence and greater reliance on our own sources of funds in the conduct of business. The bulk of the Bank's lendings (over 75 percent of the total) have gone for transactions involving exports to the developing countries. At the same time, there is a high concentration of lendings on only a few countries.

The preventive and guiding function of insurance against noncommercial risks is decisive in this area. However, it is certain that even in the future there will be countries or transactions which will be followed by the Bank in spite of the increased risk of collecting receivables. In those cases, the risk of collection would be reduced for the Bank by reducing its share in the credit financing of the transaction. In cases when the instruments for securing payment laid down in the contract do not offer a satisfactory level of security, additional opportunities for security might be contracting for the job on the basis of countertrade (compensation, barter, etc.) or, insofar as is possible, confirmation by the Bank of instruments that are sufficiently sound.

The average maturity of the Bank's lendings up to now, which is over five years, is not appropriate, especially when we bear in mind the share of our own resources in total sources. The policy governing credit financing must afford a higher rate of turnover of resources. When we bear in mind that the Bank is involved in the credit financing of a specific export where the terms are largely influenced by conditions dictated by the international capital goods market, then, assuming the credit continues to finance the same thing as in the past, a more favorable maturity is possible only by bringing it into relation with the level of the Bank's participation. What is more, toward the goal of improving the maturity of the loans, particular stimulation will be given to types of credit financing which were envisaged by the Law on the Yugoslav Bank even in the past, but have not been sufficiently used. Here, I am thinking above all of the credit financing of exports of durable consumer goods

and also the credit financing of imports of goods which are by way of collection for receivables come due. It is possible to develop business with credit financing for a term shorter than a year, by purchasing securities, and by financing in advance of delivery.

[Grlickov] The handling of transactions with securities would be an innovation.

[Stambolic] The illiquidity of a large portion of the Yugoslav economy and the banks makes it necessary to seek a solution for the problem in part through discounting foreign securities that serve to guarantee collection of Yugoslav claims from abroad. Although the long-term orientation of Yugoslav exports of capital goods and services has been toward a limited number of countries, from which it is difficult to collect claims at present, and this, because it is impossible to reorient rapidly to new markets, has had the result that the portfolio of enterprises and banks contain very few first-class securities suitable for refinancing abroad—we think that the Bank must in its business policy envisage the possibility of its becoming involved in transactions whereby foreign securities would be cashed in early within the country and abroad.

[Grlickov] The Bank faces two specific problems. One is the increased competition as the transition is made to convertible payments with the USSR, and the second is the possibility of collecting for transactions from Iraq. How do you intend to overcome those problems?

[Stambolic] The Yugoslav Bank is attempting to overcome the constriction of the market because of the transition to convertible payments with the USSR and the impossibility of collecting for transactions with Iraq. We must prepare and have a competitive agreement for all the conditions which might arise in the USSR and adapt what we offer accordingly. At the same time, so-called carry-over transactions have to be performed under the earlier terms of payment, and the new conditions apply to new transactions, which are already being contracted for on a large scale.

We must, of course, take for granted that today, and this will also be the case in the period ahead of us, the conduct of business with the USSR is riskier than up to now. This must be borne constantly in mind in the Bank's policy.

The economic consequences of Iraq's aggression against Kuwait dealt a serious blow to a large segment of the export-oriented economy. The Yugoslav Bank was involved in enactment of the Law To Purchase a Portion of Receivables From Iraq Coming Due in 1990. In that law, the Bank committed itself, at an agreed discount, to buy from the economy a portion of claims in line with its financial capabilities. In view of the situation in the Gulf, it is probable that solutions will also have to be sought for the claims of our enterprises coming due this year from Iraq. The Bank will be fully involved in the effort to find solutions and it will especially insist on finding the most realistic possible sources of funds.

[Grlickov] It is obvious that risks are the dominant characteristic of the future activities of the Bank and the export-oriented economy. They create an uncertainty in the functioning of the Bank itself.

[Stambolic] The risks are great. There are increased risks on the world market, especially on those markets where Yugoslavs are competitive; there are greater business risks within the country resulting from the severing of business relations on political grounds, neutral nonpayments, losses, and overemployment. All of this is going to frustrate the stable conduct of business. Every business undertaking, including export transactions, will be haunted by complete insecurity about the outcome. And the only condition for "moderating" this environment is to improve the information about the real situation in the economy, particularly at the republic level.

In order to mitigate somewhat the uncertainty about its own functioning, in addition to attempts to involve the interested republics as shareholders of the Bank, the Bank will also establish the "JUBMES-grouping" (a mixed bank, insurance organization, and information center) whose principal task would be to expand the range of entities with which the Bank works, dispersing the business operation and the risk to other segments of the economy as well. Also, the top management of the Bank has taken the initiative and for several months now has been conducting negotiations with the World Bank and certain European banks on forming a joint bank in which foreign financial institutions would have the predominant share of the capital. That bank would engage in short-term credit financing of imports and exports.

In the sector of insuring export transactions, it is envisaged that particular attention will be devoted to preventive measures. Initiatives will be coming in for expansion of activity to new types of insurance against noncommercial risks (insuring claims on the basis of leasing of equipment to foreign persons and insuring goods from the commencement of production to the moment of delivery to the customer), and reorganization of the system of insurance against commercial risks will be undertaken. We will also begin preparations to form a new insurance company in which the Bank would be a stockholder. The risk cannot be estimated and evaluated until the transaction has been contracted for. Because of the bitter experience we have faced, the assessment of risk, that is, the collectibility of the transaction or the soundness of our customer, represents the question to end all questions.

There were too many political motives as compared to economic motives involved in the commitment to many transactions and in many countries. We must be aware that the rating and political influence which Yugoslavia had also had a favorable influence on the collection of claims. It does not have that strength now. The political motivation must be present insofar as the economic realities of that market allow. And that so long as the political is placed at the service of the economic.

Reasons for Unsuccessful Securities Market

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[Interview with Stojan Dabic, president of the Federal Securities Commission, by Vladimir Grlickov; place and date not given: "Business Through Brokers"]

[Text] Securities are not "reviving" at all or becoming an important factor in the circulation of money and capital or in ownership restructuring. There are not even sufficient securities of enterprises in credit form, and there are still fewer of them in ownership form through issuance of external shares. Here the lack of capital is frequently pointed out as the cause for the slow "introduction" of long-term securities. Again, it is claimed that, by the same token, there is no capital because there are no securities or, through them, necessary ownership changes.

Stojan Dabic, as president of the Federal Securities Commission, can best recognize these obstacles. Along with the general reasons in this situation, like the unfavorable political situation, the lack of capital, and the slow ownership transformation, the "narrower" conditions for introducing these financial instruments have not even been created. First of all, the question of private agents in trading securities, brokers, or dealers has not been regulated; the revaluation of ownership shares has not been regulated—and, what is perhaps most important, the conversion of internal shares to external shares has not been regulated.

[Grlickov] There are claims that the general, unfavorable political and economic situation does not favor securities. However, one could also approach the matter from the other direction and imagine that through securities, trading in them, and ownership transfers, there must be the effect of "creating" a more favorable economic climate.

[Dabic] There are several preconditions for securities and for a capital market. First, political stability is necessary; second, an appropriate policy for economic development; and third, capital is needed. The political situation in our country is not favorable and it interferes with financial-economic trends. What form the political-economic organization will take in Yugoslavia is an uncertainty. Organizing by the republic (government) principle under our conditions can lead, or has already led, to a fragmentation and closing of the market, and this is not the atmosphere at all for trading in securities.

[Grlickov] An appropriate policy for economic development is not possible today, in connection with which the so-called objective foreign factor, which we cannot influence, is often cited as the main cause.

[Dabic] Changes in the world, in the East European countries, followed by the Near East, which especially affect us because of the impossibility of getting paid for our exports (and now we cannot even export any more).

influence development policy. A drop in production by these exporters, a drop in standards and buying power—and, moreover, a drop in production of consumer goods have occurred.

A second reason for the drop in economic activity is enterprises operating at a loss. Losses are increasing, especially in substance, and even personal wages cannot be paid under conditions of illiquidity. However, it must be realized that they have been able to survive and exist only under conditions of an abundance of money. With a restrictive monetary-credit policy, we have the phenomenon of a shortage of money to cover losses and production distortions; there are no more indebtedness and survival on this basis.

[Grlickov] Under these circumstances, there cannot be any capital—the most important condition, although you place it last on the list—for securities and development.

[Dabic] There is no additional capital, and the existing capital is not sufficiently utilized. Personal incomes and the standard are dropping, as well as capital (savings) which could possibly be used for investments. The political situation also has an effect on the drop in capital, because foreign investors do not want to enter our market under unfavorable circumstances while domestic savings flow off into other banks (I mean into cash here) or remain at home "in socks." Uncertainty or psychological factors have increased demand for currency and led to a drop in overall domestic savings.

[Grlickov] Do you consider that the outflow and drop in savings could be at least partly prevented in some way?

[Dabic] With exchange operations, which banks have performed in the name and for the account of the National Bank of Yugoslavia, the situation could perhaps have been settled somewhat under conditions of better dinar liquidity. At one time the problem was not foreign exchange to meet demand, but the lack of dinars for purchasing from the National Bank of Yugoslavia. Under such conditions, the impression could have been created that something in the government was not in order. Naturally, the usual phenomena under conditions of a "lack" of foreign exchange in banks followed. The "black" market revived and an unofficial exchange rate for the dinar developed. Breakthroughs that occurred in the dinar sphere made it possible for an exchange rate and a cost of foreign exchange to be realized.

[Grlickov] A drop in dinar savings also resulted?

[Dabic] The drop in dinar savings was caused by the rise in living costs and the fall in the standard. This is the normal consequence of an irregular payment of personal incomes, or a payment of only minimal personal incomes.

[Grlickov] Long-term securities cannot exist for some other reasons as well, for example, the total lack of knowledge about doing business with them.

[Dabic] Under our conditions, determining the cost of capital is a big problem, which could be overcome with the functioning of a secondary capital market. However, it is not working for a number of reasons. One is that there is no supply and demand in securities, and another is that it simply has not developed. The secondary market is so simplified that a person practically has no one to offer him securities, even if he wanted to buy some.

[Grlickov] Is there a stock exchange (capital market) in Belgrade?

[Dabic] There are numerous obstacles in the way of the establishment of a stock exchange. A stock exchange is a place to finalize buying and selling, a place in which brokers and dealers definitively exchange their portfolios. But first, the basis of a market must be created. For example, people must have the opportunity, through appropriate windows and agents, to place orders to buy or sell securities at a certain price. The stock exchange itself is a place for meeting unsatisfied supply and demand in transactions before there is even an intent to go through it. Incidentally, in the world, trading in securities is performed to a lesser extent through a stock exchange and to a greater extent around it, through agents.

[Grlickov] Only securities that have the approval of the Commission circulate through the stock exchange.

[Dabic] Only securities registered by the Commission can appear there. Those that are not registered go in a way that I have explained. We have not qualified ourselves for such transactions. The banks do not undertake anything in their plan for dealing with paper, perhaps because they are used to working in the old way, exclusively on a deposit-credit basis.

[Grlickov] Today banks are offering large quantities of securities. Is there real competition as to who will "advertise" his products first and with higher interest rates?

[Dabic] The banks are offering their securities, but they are not interested in dealing in someone else's paper. For example, you cannot find a bank that is offering paper from another bank. We do not have a developed network of agents where anyone's securities are being offered (cashier's notes, bonds, stocks).

[Grlickov] A network of agents could also be developed if it is permitted by law for specialized houses, in addition to banks, to deal in securities.

[Dabic] According to the regulations in effect, banks and other financial organizations are involved in such matters. Thus it is not precisely defined what is understood under the concept of another financial organization. However, changes are being prepared in the law on securities and the capital market, where the establishment of specialized legal parties, or brokers, who would engage in the sale of securities, is foreseen.

The case of dealers' houses, which trade in securities in their name and for their account, are not a rare case in the world. In contrast to them, brokers buy and sell securities in the name and for the account of the one placing the order.

[Grlickov] Into which variation, broker or dealer, does the agent fall?

[Dabic] In the proposed law, it is foreseen that each legal party who fulfills the prescribed conditions of the Commission for Securities must have a sufficient amount of capital as security in case he deceives the buyer or seller of the paper.

Finally, personnel of certain qualifications are specified as a condition. In any case, a brokers firm, in order to be able to work, must obtain the agreement of the Commission and the authorization to engage in these matters in advance.

In the beginning we will have to be rather restrictive and seek enough capital to ensure protection from the possibility of malversation. We must provide protection, for example, from the situation where someone takes your money and does not buy securities—and, vice versa, where you give someone paper to sell and he does not do it, or he sells it and does not give you the money for it. We will seek capital so that the owner can gain redress. Naturally, after malversation, the broker would be deprived of the authorization to trade in securities.

[Grlickov] Risks can also arise from quite different reasons, because they are an integral part of dealing in securities.

[Dabic] Thus, in the world, there are special reserve funds at stock exchanges formed by the dealers themselves for protection against risks. However, when a risk is established, the dealer (or broker) can no longer appear on the market. The problem is that we do not have developed stock exchanges; we do not even have reserve funds. Thus we could provide protection from risks by means of some type of guarantee with one's own property.

[Grlickov] Does the position of the Securities Commission change in the proposals for the law?

[Dabic] The proposal is that the Commission be granted significantly broader powers than it has had up to now. It would become the highest regulative body for the overall trade in securities by all participants. It would determine the conditions under which someone can appear on the market by issuing securities, as well as the conditions for an agent to engage in the trade of paper.

[Grlickov] This involves issuances of and agents for long-term securities. You do not mention issuances of and agents for long-term securities, although they have recently been the most common.

[Dabic] Because short-term securities have been appearing recently, for which the Commission's

approval is not necessary, experts from the World Bank are suggesting to us that we introduce the principle of giving some type of general agreement in this sphere. Agreement would cover the extent to which an institution could issue securities and go out on the market with them. In this way control of short-term securities would also be provided, which through constant replacement and renewal for six-month periods can assume a long-term character.

[Grlickov] Credit checks of issuers of securities represent one of the most important links in the success of amassing capital in this manner. With us, only the Public Auditing Service (SDK) has the role of reporting on credit, and is often criticized for the way it performs this function.

[Dabic] According to existing regulations, the services of the SDK have given opinions on credit, which have not been at all uniform and have been subjected to all sorts of influences. It is now foreseen in the proposed law that the SDK confirm that all information reported on operations is correct and that the final account is not false. It is new for the Securities Commission to be given the task of making credit checks; because of this it must prepare itself professionally. Thus the Commission is now setting forth the methodology that will be implemented in the computer processing of information. Here the question must be answered about how to make a credit assessment and how to contact data bases in the SDK, business banking, and the like.

[Grlickov] In the context of the proposed law, you do not mention the rules of the game for trading, not only on the stock exchange, but on the broader market, although you spoke about them quite a bit at the beginning of the conversation.

[Dabic] It is the Commission's task to work out conditions for trading, primarily who can participate in the market as an agent and who must meet all criteria. Furthermore, a work procedure must be developed for the protection of shareholders and owners of securities, as well as for taking steps against malversation. Finally, the Commission must prescribe conditions for control and an information system. We agreed at the last meeting with the representative of the World Bank that they would provide us with maximum assistance in drawing up these regulations, for which they would utilize their credit for technical support. This support and instruction are all the more necessary for us because the existing stock exchanges in Belgrade and Ljubljana solved organizational problems by using foreign consultants. The most important problem is qualifying personnel to perform the functions of agents in trading in paper. Here, we do not intend to accept all diplomas for schools and courses completed. We are trying to introduce subjects in faculties that teach stock market operations and law, securities and their markets, and such.

[Grlickov] I do not want to be petty in pointing out, in addition to such major problems as the difficult political

situation, unprofitable operations, and the lack of capital, the question of the rather appreciable collision that exists in the laws on operations in securities. I am thinking about the Law on the Enterprise, the Law on the Turnover of Social Capital, the Law on the Capital Market, the Law on Securities...

[Dabic] A lot is in disagreement. For example, the Law on Social Capital refers to the possibility of converting internal shares into external shares, while under the Law on Securities this is not regulated, just as we in the Commission have not even regulated this important question.

The revaluation of capital is also a problem. Revaluation is implemented only where inflation is greater than normal. How share capital is revalued is not regulated anywhere; misunderstandings have occurred because of this. It is not clear how one should proceed with share capital, so that we have not gotten into how to carry revaluation out, but we have prescribed the method by which it is accepted with shares. We have announced that revaluation is to be somehow treated as a dividend, inflationary of course, and not profitable. Then the question arises how to recapitalize it, since it cannot be paid off, but only invested. We solved the problem so that revaluation was treated as a share investment about which the shareholder must be informed in writing; on the basis of this, the increased demand from the stock company is then further recorded. However, because external shares are involved, the shareholder would have to submit a request to the Commission for a new issuance of shares based on the revaluation, seeking that it be registered. Here the matter must not be resolved through the physical printing of new shares, because small amounts can be involved, but only through claims that have such a character. They give him the right to participate, on the basis of capital increased in this way, in the ownership of an enterprise, or in a real dividend, if there is one, of course.

The essence of our proposal is that we go not to the revaluation of shares, but to the revaluation of capital, and only on that basis to the issuance of new shares. In all this, the minimum value of existing shares remains unchanged. We have not, as a Commission, gotten involved in the procedure for calculating revaluation; there are various opinions about this, so this is a problem of financial institutions, the SDK, the Association of Banks and the like.

[Grlickov] What is being done for the transfer of property and the conversion of internal shares into external shares of an enterprise?

[Dabic] The Commission has taken the position that the conversion of internal shares into external shares cannot be done within the framework of the enterprise itself, but only through external issuances, upon request by the Commission for the registration of these securities. In addition, we have proposed that an external issuance can be redeemed for internal shares. It is essential that there

is no automatic decision on the conversion of internal shares into external shares; instead the procedure for the new issuance of external shares must be applied. Only enterprises formed as share companies and limited partnerships can issue shares. Other enterprises would not have the right to this.

[Grlickov] There are no securities, least of all on the stock market, and so there is an idea that the shares of banks that are owners of enterprises are assigned to special quota lists. At the wish of the owner.

[Dabic] That is not possible for now because these are not securities that have the approval of the Commission. There is an idea that the shares of banks are assigned in the way that you mention, but that would have to be a special decision of the organs of the stock market.

[Grlickov] Do the banks fear the possible loss of the value of their shares on the stock market?

[Dabic] It can happen that the shares are offered for sale and it is thereby shown that there is no one to buy them, so a report starts that they are almost worthless. Because of this, the bank would have to find a way to buy them up, otherwise it would not be good for it. It is mainly because of this that banks fear to go out on the market with their shares. As far as I know, attempts are being made to go out on the stock market with republic bonds for the rebirth of Serbia, and perhaps the same will be desired with these most recent bonds. I do not know what the chances are for success; in any case, we cannot expect too much with low liquidity.

[Box, p 32]

Approval for Long-Term Securities

As of 31 December 1990, a total of 75 requests had been submitted to the Commission. It had decided on 51. The remaining requests either were not complete or referred to the issuance of internal and inaugural shares (in connection with the transformation), which are not subject to the granting of approval of the Commission.

Of the total number of approvals given, 30 are related to stocks (of which only two are related to enterprises) and 21 to bonds (of which only one is related to a bank).

Viewed in dinar amounts, the total value of long-term securities issued was 4,174,268,000.00 dinars. Of this amount, issued stocks accounted for 2,834,030,000.00 dinars and issued bonds for 1,329,238,000.00 dinars.

—The total value of long-term securities of enterprises issued is 1,150,331,000.00 dinars. Of this amount, stocks account for 31,093,000.00 dinars and bonds for 1,119,238,000.00 dinars.

—The total value of long-term securities of banks issued is 3,023,937,000.00 dinars, of which stocks account for 2,813,937,600.00 dinars and bonds for 210,000,000.00 dinars.

The general conclusion that can be drawn is that enterprises have chiefly engaged in the issuance of bonds and are thus accumulating funds for investment activity, for modernization of technology, and for financing current production.

Banks have mainly issued shares for increasing inaugural capital and fulfilling the conditions in Article 16 of the Law on Banks and Other Banking Organizations, more rarely for the financing of attractive and profitable projects.

Except for interest on bonds or dividends on stocks, issuers have also given buyers of securities specific advantages (discounts in the utilization of services, priority with faster service and the granting of credit, and the like). The maturity period for payment on bonds varies from three to five years, and the interest on the level of term deposits in banks has increased by 1 to 5 percent.

High Electricity Costs Harm Aluminum Industry

91BA0454A Belgrade EKONOMSKA POLITIKA
in Serbo-Croatian 11 Mar 91 pp 15-16

[Article by D. Nedeljkovic: "Half in Europe"—first paragraph is EKONOMSKA POLITIKA introduction]

[Text] The aluminum industry exports a billion, and imports 300 million dollars. Critical situation because of the cost of electric power. Is consumption of electricity too great?

In production of bauxite, hydrated alumina, and aluminum, Yugoslavia occupies one of the leading places in Europe and the world: the leading producer in Europe and the 10th largest producer in the world of bauxite; the second largest producer in Europe and the 10th largest producer in the world of hydrated alumina; and the third largest producer in Europe and the 10th largest producer in the world of aluminum metal. Of 366,000 tons of primary aluminum produced last year, almost half is exported as metal, while the other half is processed in domestic factories and, in various forms, also partly exported. Last year's exports in the aluminum industry amounted to a billion dollars, while close to 300 million dollars yearly is spent for the import of raw materials, spare parts, and equipment.

Although the exploitation of bauxite ore on today's Yugoslav territory began at the start of this century, and the first miniature plant (bauxite, hydrated alumina, aluminum) dates to 1937 (Lozovac near Sibenik), the present aluminum industry is at the European and world level in the technical-technological sense. All large plants—the Sibenik Light Metal Works, the Kidricevo Alumina and Aluminum Works, the Titograd Aluminum Plant, EAL Mostar—were built or reconstructed in the past 20 years or so, and each annual reconstruction of the electrolysis process is used for the modernization and improvement of the production processes.

Electric power in the electrolysis of aluminum is a key technical and economic factor and the consumption of electric power is a good indicator of the situation in this industry. Yugoslavia consumed 15,170 kilowatt-hours of electricity per ton of metal for its electrolysis last year, while in Europe (France, Italy, Spain, Germany, and Norway—the important aluminum producers) 15,990 kilowatt-hours per ton was consumed at the same time. The domestic aluminum industry has already entered Europe, not only because of its consumption of electrical power, but its production programs, management, marketing of products, and quality are also equal to European industry.

Expensive Electricity

Nevertheless, the Yugoslav aluminum industry is only halfway in Europe. The economic operating indicators cannot be compared at all with those of European aluminum producers, and the basic reason is the cost of electrical power. For aluminum, electricity is not power but a raw material. When the share of electrical power reaches 25 percent of the selling price of aluminum, that is a serious warning for every producer; when it reaches 30 percent, the situation becomes critical, and exceeding that percentage unavoidably leads to a shutdown in the production of metal. It becomes economically untenable. European and world aluminum producers have differing shares of electricity included in the price, but they vary from 10 to 25 percent. However, Yugoslav aluminum producers have such electricity costs that their shares in aluminum prices reach 60 to 80 percent. Simply put, aluminum production does not pay at all because of the cost of electricity.

Such a situation does not date to yesterday, but worsens from year to year, parallel with the policy of "achieving parity in costs" in the electric power industry. The aluminum industry has survived, and it is probably not even necessary to explain how the "political, national or regional" significance of such an industry, with almost 26,000 employees, has had an effect on this. Times change; various noneconomic interests assume other forms and dimensions, but the situation must be cleaned up all at once. Funds for covering losses—i.e., transferring losses to others—are disappearing or are empty, and survival with the losses is difficult to realize.

According to official figures from the Business Union of Producers and Processors of Bauxite, Hydrated Alumina, and Aluminum of Yugoslavia, last year the average world cost of electric power for the electrolysis of aluminum was 21.3 mills per kilowatt-hour, or 0.29 dinars at today's rate of exchange. Domestic plants paid between 59 and 80 mills per kilowatt-hour for electrolysis, or 0.81 to 1.10 dinars.

What Is the System

One need not be any kind of expert to see from these basic figures what the situation is for domestic producers of aluminum. The next step—an answer to the question:

Why is this so?—demands little explanation. The aluminum industry swallows up electric power, consumes great quantities, and engages significant capacities of the electric power economy. This is in no way specific to Yugoslav producers. As in other countries this type of consumer has, or should have, special status. Large or special consumers of anything, including electric power, do not receive, either physically or economically, the same treatment as others. This is primarily a matter of the economic interest of producers of electric power, since aluminum represents a steady and constant consumer, without daily or seasonal oscillations. Such a consumer reduces the costs of producing electric power—at night, when power stations should be shut down or run at a technical minimum level, electrolysis “swallows” electricity that would not be otherwise used. This means special rates for special consumers. Aluminum producers can “iron out” seasonal oscillations in consumption of electricity, in that maintenance periods can be planned in accordance with times of peak consumption.

All these advantages to the large consumer of electric power can be quantified from the power and economic standpoint if an electric power system exists with which the consumer can work. For Yugoslavia, the aluminum industry does not represent a problem because it accounts for 6 percent of the total consumption of electric power. In other European countries, aluminum producers with a similar share in electric power consumption conclude annual or long-term agreements with the electric power industry, and there are also cases where an aluminum plant or company builds generating stations and places them at the disposal of the electric power industry. In return it receives special rates

The trouble is that a Yugoslav electric power system does not exist; aluminum producers are directed to republic electric power systems. And then the picture is quite different. Republics in which aluminum plants are located—Montenegro, Bosnia-Herzegovina, Croatia, and Slovenia—are mainly scraping by with their capacities for production of electric power and do not have enough of it. And when consumption in the Titograd Aluminum Plant, for example, is compared with overall consumption of electric power, it becomes evident that 40 percent or even more of the consumption must be sold at a preferred rate. Naturally, this is impossible. The percentage figure is somewhat lower for the other republics, but the problem is similar.

Where is the solution? Not even a magician, probably, would know what to propose. Either the republics that want to maintain and develop the aluminum industry will raise rates for other consumers and lower them for aluminum plants, or their electric power industries will draw up some type of pool at the Yugoslav level whereby the advantages to the special consumer of electricity can be made profitable. In small, closed electric power industries, it is impossible to find a solution; this will mean the elimination of aluminum production.

Data on Illiquidity of Enterprises

91BA03984 Belgrade EKONOMSKA POLITIKA
in Serbo-Croatian 4 Mar 91 pp 20-21

[Article by Tomislav Dumezic: “Insolvency: Bankruptcies About To Happen”—first paragraph is EKONOMSKA POLITIKA introduction]

[Text] No difference between successful and unsuccessful, profitable and unprofitable; payments have threatened convertibility, foreign exchange reserves, and liquidity; few chances for fresh capital by means of ownership restructuring

Illiquidity is constantly stalking the economy of the country, a Yugoslav peculiarity that is unthinkable in countries with a market economy. (The reasons, ranked by importance, could be: earning money is not the objective of an enterprise (cash is an accounting category that serves to reduce various quantities to a common denominator); a tendency toward loaning money by banks that are not interested in the profitability of the loan has been indicated; losses that steadily increase are reduced to a loss of ready cash; there is a tendency to invest and spend without regard to financial capabilities. Today, however, illiquidity is reaching a culmination. According to data from the Public Auditing Service, the total amount of unmet obligations of insolvent legal enterprises was 2,242 billion dinars as of 31 January 1990, and 45,495 billion dinars as of 31 January 1991 (an index of 2,029). In these enterprises (mainly economic, which account for 92 percent of unmet obligations) close to 1.9 million workers are employed

In addition, currently solvent firms are not capable of settling financial obligations to third parties. They are also not settling them since their solvency depends on the approval and the assessment of their creditors, the accuracy of courts, and the implementation of regulations by the public auditing service. Is this evidence that extensive intervention by the National Bank from primary issuance is unavoidable? Of course not. A shortage of money means only that prices are too high. Their reduction, with unchanged basic expenses—wages, taxes, and contributions—would bring about still greater losses, or a still greater shortage of money. Therefore, the only solution, if one wants to avoid issuances and uncontrolled inflation, is a reduction in wages, taxes, and contributions. However, this would not be enough to establish a tolerable financial structure for a great number of enterprises; the sale of a part of property, the investment of fresh capital, and similar moves would be necessary. But things are not developing in this direction.

Illiquidity Without Limits

Insolvency has not even primarily encompassed only unprofitable firms, individual unsuccessful activities, or regions where enterprises with predominantly social objectives dominate (where there is a particular surplus of employed people because of the solution of social

problems and the accumulation of resources for financing social construction).

Although insolvent enterprises with a large number of unmet obligations are present throughout Yugoslavia, they are nevertheless mostly in Bosnia-Herzegovina, Kosovo, and the Republic of Serbia proper. They are fewest in Slovenia, based on the share of the economy of this republic in the social product of the country. However, even in the insufficiently developed republics, in Macedonia and Montenegro, insolvency is relatively smaller than the share of the economies of these republics in the social product of Yugoslavia.

The most employed people in insolvent enterprises, viewed relatively, are in Bosnia-Herzegovina (436,000). Next follow: the Republic of Serbia proper with 517,000 employed people, Croatia with 436,000, and Kosovo with 94,000. The greatest number of insolvent legal enterprises are in Serbia proper (2,944) and then in Croatia (1,826), Bosnia-Herzegovina (1,468), and Macedonia (1,322). There were 987 insolvent legal enterprises in Slovenia. When data on the amount of unmet obligations and the number of insolvent legal entities are compared, one comes to the conclusion that a relatively small number of enterprises are insolvent in Slovenia, but with a high average amount of outstanding obligations; it is the reverse in Macedonia—a large number of enterprises with a relatively small amount of unmet obligations are insolvent.

Wages—A Basic Cause

Last year personal income of employees in economic and noneconomic activities increased from month to month. The increases occurred under conditions of relative stability in markets and prices and absolute stability in the exchange rate of the dinar. There were no financial capabilities for such an increase in personal incomes. Overall economic movements last year were such that a reduction in wages should have taken place. This stems from the fact that production and the social product of the country dropped significantly and that the relatively open market led to the breakup of constituent monopolies both in production and in foreign trade. The effect of foreign competition on domestic production shows the following figures: Coal processing dropped by 30 percent last year compared to 1989, production of iron ore by 16 percent, production of lead by 24 percent, production of other nonferrous metal ores by 28 percent, production of nonmetals by 24 percent, production of metal structures by 21 percent, of agricultural machinery by 25 percent, of electrical machinery by 33 percent, of other electrical equipment by 21 percent, flax and textiles by 19 percent, etc. Under these conditions, personal incomes increased nominally between the beginning and the end of 1990 by more than 100 percent. Naturally, this threatened foreign exchange reserves and convertibility, increased losses in the economy, reduced already insufficient money for financing regular operations, and caused general illiquidity. The total of net personal incomes

paid out increased from 14 billion dinars at the beginning of 1990 to 38 billion dinars in December of last year. After this, illiquidity has assumed such proportions that there is practically not a single enterprise that is meeting its financial obligations on time to business partners and banks.

The large increase in personal incomes in December is partly connected with preelection activities, but it is also a consequence of the fear of frozen wages. This year, according to figures from the Public Auditing Service of Yugoslavia for January, personal incomes have dropped, but they still significantly exceed the financial capabilities of the majority of economic entities and enterprises of social activities. The total paid out amounted to 27.8 billion dinars, 27 percent less than in December.

However, one should also keep in mind the fact that many enterprises are paying personal salaries late. Because of this the January total will be significantly higher than that indicated in the report of the Public Auditing Service of Yugoslavia.

Personal incomes in all republics have been established above a level that would make possible the normal financial operations of enterprises. Nevertheless, differences also exist in the growth of personal incomes by republic and province.

In Montenegro, personal incomes dropped drastically in January (by 53 percent). Despite this decrease, they were 95 percent higher than in January 1990. This indicates that personal incomes in Montenegro in December were exceptionally high. The assumption that December wages were in large part a function of the elections cannot be avoided.

In Kosovo, personal incomes also dropped significantly in January (by 45 percent). Nevertheless, they were higher in January of this year than in January of 1990 by a whole 135 percent. The ratios are about the same in Serbia proper as well: Total net personal incomes paid out in January were 26 percent lower than in December but 104 percent higher than in January 1990. The most modest rise in personal incomes is in Macedonia; this has had an effect on the relatively small extent of illiquidity and insolvency of economic enterprises in this republic. However, in Bosnia-Herzegovina, personal incomes have risen more slowly than the Yugoslav average, but the extent of illiquidity in this republic is relatively the highest (the share of unpaid obligations of legal entities is almost twice as high as the share of the economy of this republic in the social product of the country).

To the extent a relatively restrictive monetary-credit policy continues, a reduction in personal incomes will be unavoidable. It is almost certain that personal incomes in February will be still lower than in January of this year. In this way a certain step toward overcoming insolvency will be taken. Nevertheless, this will not be sufficient, to the extent a process of providing fresh capital to ownership restructuring of social enterprises—

through the sale of enterprises in whole or in part—does not evolve. Of course, the chances for such development are not great. It can first be expected that, after the possible conclusion of an agreement with the IMF and the acquisition of fresh money from abroad, pressure will be increased on the federal government to release credits from primary issuance for paying personal incomes. Regardless of the fact that there is not a single argument that, viewed over the long term, would justify such an act, the short term argument (strikes and street demonstrations) will be sufficient for the decision.

Insolvency and Taxes

Enterprises are now managing themselves with only one motive—to gather funds for paying personal incomes. This also affects social-political societies whose revenues depend almost exclusively on personal incomes (taxes and contributions from personal incomes, as well as turnover taxes). The state is also obligated to pay other taxes and contributions (advance payments of taxes and contributions from income and taxes on profit and net property). As all the money serves exclusively for wages and taxes, the normal consequence is mass illiquidity, insolvency, and the blocking of current accounts. The Public Auditing Service alone has submitted applications for the initiation of bankruptcy procedures for 1,776 legal entities with 735,000 employees, which had unpaid obligations of over 24 billion dinars.

Taxes and contributions last year, when the social product of the country decreased between 7 and 10 percent, actually increased. It is characteristic that revenues, primarily for health care and education, are increasing significantly more. The same trend is continuing this year. In January, budget revenues increased by 94 percent compared to the same month last year, while revenues for financing common needs increased by only 34 percent. The average increase is 56 percent. A similar trend was indicated in all republics, although there are significant differences in degree.

The greatest increase in funds for financing standard state functions is in Serbia proper (268 percent) and Croatia (262 percent). Revenues earmarked for financing common needs increased the least in Serbia proper (7 percent in all, meaning that they showed a significant real decrease). This indicates that losses in these activities are growing.

The overall increase in taxes and contributions is greatest in Kosovo (214 percent), followed by Montenegro with 150 percent, Vojvodina with 120 percent, and Bosnia-Herzegovina with 75 percent. The great increase in budget revenues and revenues of self-managed communities of interest for social activities and social funds will begin only in February after new tax systems went into effect. It can probably be expected that the burden in February will be more than 50 percent above January's. In this way, not even a reduction in personal incomes can contribute to a reduction in insolvency, or even to maintaining the already achieved abnormally high level.

POLAND

Interpol Bureau Reports on Narcotics Trade

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[Article by (ira): "An Army of Polish Couriers"]

[Text] Apart from the smuggling of domestically produced amphetamine sulfate to Germany and the Scandinavian countries, Poland also serves as a transfer point for marijuana, hashish, and heroin from Southeast Asia and Latin America—that is what we learned from the national Interpol bureau in Warsaw on Wednesday (17 April).

According to the latest statistics from Interpol headquarters in Lyons, Poland occupies second place in Europe (after the Netherlands) in the production of amphetamine sulfate and accounts for 6.9 percent of the drug exported from Europe, says Kazimierz Piekos, of the Polish branch of Interpol.

Our smugglers rank third in terms of arrests (12 were arrested in 1990), but half the Germans arrested (they rank first) are persons of Polish descent.

Last year Poland was not included in international statistics on the smuggling of narcotics. On 12 May a special Interpol seminar on the subject of Polish amphetamine sulfate will be held in Oslo. Crime experts will consider the secret of our technology, which makes the amphetamine sulfate produced in Poland superior to that produced in the Netherlands and the United States, said Kazimierz Piekos.

Another subject of concern for Interpol is the transit of hashish, marijuana, and heroin through Poland. Polish ports serve as a transfer point between Singapore, Bangkok, and Rotterdam. Bills of lading are altered in Poland so that customs officials in Rotterdam do not suspect that a particular consignment originated in Asia. According to an Interpol official, even if reports of a smuggling operation are received, finding a container at the Gdansk center takes an entire day. During that time, the goods can be moved. He said that instead of narcotics, officials find gold, watches, and dollars. Most of the firms involved in shipping this type of material to the Netherlands are Polish.

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